Bumpy ride for banks in West Germany, Page 20

FINANCIAL TIMES

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World news

One dies 70 hurt in Israeli blast

One person was killed and about 70 were wounded when three hand grenades were thrown at a crowd of Israeli soldiers and their relatives including children near Jerusalem's Wailing Wall, Judaism's holiest site, police said.

The grenades were thrown as new recruits from the elite Givati infantry brigade and their parents were boarding buses after a military ceremony.

Meanwhile, the planned job swap between Israeli Prime Minister Shimon Peres and Foreign Minister Yitzhak Shamir was postponed indefinitely after a second meeting in two days failed to solve disputes over cabinet appointments.

Challenge to Aquino

The ruling coalition of Philippine President Corazon Aquino splintered further when her Vice President Salvador Laurel said he would field his own candidates in a general election expected in May.

Iraq attacks aircraft

Iran said Iraqi military aircraft attacked an Iranian Boeing 727 on the ground at Shiraz, south of Tehran, as passengers were disembarking, killing three people.

Turkish cabinet quits

All 21 Turkish government ministers presented their resignations to Prime Minister Turgut Ozal to pave the way for a cabinet reshuffle likely to be announced tomorrow.

Ershad wins

An overwhelming victory in Bagladesh's presidential election was assured for Lieutenant General Hossain Mohammad Ershad, the country's military ruler, when ballot rigging produced a high poll thought to be more than 50 to 60 per cent even though the actual turnout of voters was little more than 10 to 15 per cent. Page 6

Soviet concession

The Soviet Union made an important concession in its attempts to improve relations with China by agreeing to discuss the Vietnamese occupation of Kampuchea. China has said the occupation was an obstacle to better relations but the Soviet Union has maintained the matter was not negotiable because it involved a third country. Page 6

Maputo crisis talks

Zimbabwean Prime Minister Robert Mugabe and Zambian President Kenneth Kaunda met to discuss ways to counteract Malawi's apparent support for Mozambique Resistance Movement guerrillas which have stepped up an offensive against President Samora Machel's Government. Page 20

Turkey delays N-plant

Turkey postponed plans to build its first nuclear power plant. Atomic Energy of Canada, a state group, won a contract to build the plant but the Ottawa Government refused to approve financing plans because of the heavy risk to be borne by the company.

Kinross mine alert

About 2,000 men were evacuated when underground fires triggered an emergency at the Kinross mine, scene of South Africa's worst gold mine disaster last month in which 177 miners were killed. The men were brought to the surface following "two separate and minor fire incidents of unknown origin," the owners said.

Picasso suicide

Jacqueline Picasso, widow of Pablo Picasso, shot herself dead after years of depression following the artist's death. The 60-year-old painter's second wife killed herself with a single bullet in the head at her country home at Mougins on the French south coast.

Business summary

USX to spin off chemicals unit

USX, formerly US Steel, has moved to spin off its chemicals business for more than $500m as part of a corporate restructuring. The group, facing a $31-a-share takeover offer from New York investor Carl Icahn, said the spin-off had been planned for several months.

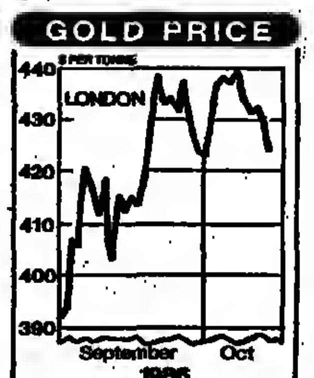
NIGERIA has reached agreement with the World Bank on a three year $4.3bn project loan beginning next year which will also support the country's economic reform programme, Dr Chu Okongwu, Minister of Finance, announced.

WALL STREET: The Dow Jones industrial average closed up 31.49 at 1,831.80. Page 42

LONDON: Equities brushed aside moves towards dearer money and gave gilts a steadier trend. The FT Ordinary index was 14.1 higher at 1,278.4 and the FT-SE index rose 15.00 to 1,607.0. Page 42

TOKYO: Prices were pushed lower and the Nikkei average lost 247.95 to close at 16,970.12 to post its fourth biggest single-day loss. Page 42

GOLD PRICE



GOLD fell $6.25 to $423.25 on the London bullion market. It also fell in Zurich to $423.875 ($429.375). In New York the Comex December gold settlement was $428.70. Page 34

DOLLAR closed in New York at DM 1.9775; SFr 1.6170; FFr 6.4730 and Y154.27. It fell in London to DM 1.9740 (DM 1.9745); FFr 6.4650 (FFr 6.4675); SFr 1.6145 (SFr 1.6150), but rose to Y154.15 (Y153.90). On Bank of England figures the dollar's exchange rate index fell 0.1 to 108.7. Page 35

STERLING closed in New York at $1.4395. It rose in London to $1.4400 ($1.4375). It also rose to DM 2.8425 (DM 2.8375); SFr 2.3250 (SFr 2.3225); FFr 9.3100 (FFr 9.2975), and Y222.0 (Y221.25). The pound's exchange rate index was unchanged at 67.6. Page 35

EEC member states are failing to take full advantage of the improvement in the international economic climate and must boost their combined economic growth rates to make a significant reduction in unemployment, a European Commission report said. Page 2

HONDA MOTOR, Japanese maker of motorcycles and small cars, reported a 44 per cent fall in consolidated net profits to Y46.33bn ($301m) in the first half to August, on a 4 per cent decline in sales to Y1,444bn. Page 22, Lex, Page 20

SCHERING-PLOUGH and Upjohn, two major US pharmaceuticals groups, have sharply increased their third-quarter profits on the back of large revenue gains. Page 21

MANUFACTURERS Hanover, parent of third biggest New York bank, reported a 5.3 per cent rise in third quarter net income to $105.8m. Page 21

BRAZIL made a small but significant find of good quality oil in the Amazon region after three decades of searching disclosed only pockets of natural gas. Page 4

DIGITAL Equipment (DEC), IBM's most serious challenger in the US computer market, boosted earnings for the first quarter of its fiscal year by 153 per cent on the back of a 26 per cent surge in revenues. This is in marked contrast to IBM's 27% downturn in third-quarter profits announced earlier this week.

Reagan curbs hit US electronics sales overseas

BY GUY DE JONQUIERES IN LONDON

US ELECTRONICS companies are losing overseas sales to Japanese and other foreign competitors because of the Reagan Administration's controls on technology exports, according to a survey by US officials in West Germany.

The survey found that US suppliers and their customers blamed the administrative complexity of the controls for increasing the cost of US technology exports, delaying deliveries and creating business uncertainty.

The controls govern official licensing of a wide variety of technologies and products exported from the US. They are intended to curb access by Communist countries to technology which could be put to military use.

Some Western European companies have expressed fears that the US might abuse the controls by giving US companies preference over their foreign competitors in awarding export licences.

However, the survey came across no cases of unfair discrimination. It suggests that the controls are hurting US companies more severely than Western European ones.

The survey, conducted this year by the commercial section of the US consulate in Frankfurt, covered 35 unnamed companies in the area, most in the electronics industry. They include both German-owned companies and local subsidiaries of US concerns.

Among the survey's main findings were:

● Several leading electronic equipment manufacturers said that they had begun to redesign their products to incorporate fewer US components since the controls had taken effect. Where suitable components were also freely available from non-US suppliers, the companies were increasingly substituting them for US parts.

● A switch away from US products is said to be widespread among distributors of electronic components, mostly for lower value items. One distributor estimated that, as a direct result of its customers' concern about the controls, 20 per cent of its sales were now being supplied from Japanese instead of US sources.

● Complying with the controls was said by US companies to add about 25 per cent on average to their normal administrative overheads. The increase was relatively higher for smaller companies, which generally found the controls more burdensome than did big groups.

Many of the companies surveyed said they would continue to use US components in the immediate future if they were unable to obtain comparable products elsewhere or were tied to US suppliers by long-term contracts.

The survey found that the more sophisticated and valuable the US component, the more reluctant were customers to seek alternative suppliers.

However, the companies said that in the longer term, failure to reduce the administrative problems and uncertainties caused by the controls led them to seek out other sources of supply and put pressure on local suppliers to provide the components they needed.

Shell declares opposition to SA policies

BY MAX WILKINSON, RESOURCES EDITOR, IN LONDON

ROYAL Dutch/Shell, the world's third largest company by sales has declared its opposition to the policies of the South African Government, which it believes are heading towards tragedy and further violence.

A letter from the group's senior managing director, Mr Lo van Wachem, to senior executives expresses Shell's strong support for a peaceful revolution leading to policies which can be endorsed by all sections of the population, including the black majority.

He supports the growing opposition among the white population to the policies of apartheid which he fears will lead towards - "ungovernability and chaos" unless the Government moves to policies which can be supported by consensus rather than force.

He also endorses calls for the release of political prisoners, the ending of detention without trial and the removal of the ban on political organisations.

The letter, to several hundred of the group's chief executives throughout the world, is written with a vigour and moral fervour far removed from the usually staid and cautious approach of the Shell group to international politics.

Mr van Wachem wrote the letter to rebut some of the "misrepresentations and the deliberately false nature of many of the accusations" about Shell's involvement in South Africa.

He says he hopes the executives will spread the word about Shell's true position in relation to South Africa and its strong dislike of many of the Government's policies, its desire for political change and its wish to help prepare black South Africans for the ending of apartheid.

Although Shell's South African subsidiary has previously condemned apartheid, this is the first time that the group's top management has openly opposed the South African Government's policies. The letter is highly pessimistic about the prospect of gradual change while the present South African regime remains in power.

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Business and apartheid - editorial comment, Page 18; Pretoria warns front-line states on ANC, Page 20

Lawson plans a message to reassure bankers

By Philip Stephens in London

MR NIGEL LAWSON, the British Chancellor of the Exchequer, will tonight set out to reassure the world's financial markets that this week's rise in UK interest rates was adequate to steady the pound and to prevent a resurgence of inflation.

He will deliver the message amid the ritual formality of the annual bankers' dinner in the City of London's Mansion House, traditionally one of the leading events in the UK's financial calendar.

The speech will round off an odd week for Mr Lawson. Last Thursday, he received an unusually warm reception from the Conservative Party faithful at what could be their last annual conference before the next general election.

The rumours quickly spread that perhaps he was now joining the half-dozen or so contenders for the party leadership – and in the event of an election victory the job of Prime Minister – when Mrs Margaret Thatcher finally steps down.

Five days later Mr Lawson was forced to order the politically embarrassing rise in interest rates in response to the latest crisis of confidence caused by the pound's recurrent slides on foreign exchange markets.

The signs yesterday were that the markets remain sceptical that the resolution of Mr Lawson's pledge to the party conference that he would "never, never take risks with inflation" will in practice continue to be matched by action.

First though, the politics, Mr Lawson yesterday acknowledged in an interview with the Financial Times that be had made a special effort at the conference. But that did not mean he was throwing his hat into the ring for the party leadership.

"I have no ambition in that direction . . . the job of Chancellor has always been my ambition," he said. It is that limit to his ambition that explains why Mr Lawson has not sought the political base in the Conservative Party so cherished by other senior ministers.

Naturally sharp in conversation – his critics would say arrogant – Mr Lawson is openly disdainful of many of his fellow Conservative MPs in the House of Commons. His political advisers constantly urge him to spent more time cultivating the so-called backbenchers.

But although a disastrous performance at the party conference in 1984 has persuaded him to take those events much more seriously, he still finds it hard to disguise his impatience with those be regards as on a lower intellectual plane.

Continued on Page 20

Deficit target ignored in Congress budget rush

BY STEWART FLEMING, US EDITOR, IN WASHINGTON

THE US Congress is ignoring the deficit reduction target imposed under its recent budget reform law as it rushes to complete action on the 1987 federal budget ahead of the mid-term congressional elections on November 4.

However, it seems likely to cut $28bn from President Reagan's requested defence budget, bringing it down to slightly more than $290bn, to give the smallest percentage increase in defence spending since the President took office in 1980.

The congressional decision to ignore the Gramm-Rudman-Hollings law, which sets a budget deficit target of $144bn for 1987, seems likely to raise questions about the depth of Capitol Hill's commitment to cutting the deficit.

It could also throw another obstacle in the way of adjournment of both houses if supporters of the budget reform law try to force Congress belatedly to try to meet the deficit target by holding the essential increase in the federal Government's debt ceiling hostage to action on the deficit.

"Things are so chaotic up here I am embarrassed," said one congressional aide about the confusion over the 1987 budget. Asked how Congress would succeed in completing work on the contentious issues which still have to be resolved he added: "Like the 500 pound gorilla Congress does not have to do anything."

Congress has this year failed to pass the 13 individual appropriations bills which are supposed to be approved to keep the Government functioning. As a result it has been working on a huge $576bn omnibus stop-gap spending bill to cover a variety of Government programmes.

A House and Senate conference committee yesterday approved the omnibus bill, but the two chambers still have to take final action on the legislation.

However, the policy of defence spending does appear closer to resolution. A conference committee of the House and Senate reached an agreement on a defence spending bill providing the $290bn in Pentagon spending late on Tuesday.

This follows sharp cuts in the rate of growth of the defence budget last year. This may have succeeded in setting the federal budget deficit on a declining trend for next year from the record level of more than $220bn expected for the 1986 fiscal year ended September 30.

Estimates for the 1987 budget deficit vary widely and will depend in part on what action Congress takes before it adjourns. Many private economists on Wall Street are expecting a deficit of about $160bn, but officials on Capitol Hill expect it to be less than this, not least because of anticipated revenue gains from tax reform legislation.

The defence spending component of the omnibus spending bill, or continuing resolution, cuts President Reagan's $5.3bn request for the Strategic Defence Initiative (SDI) to $3.5bn, underscoring mounting Congressional scepticism about the SDI programme which seems to have intensified since the breakdown of the Reykjavik summit. The $3.5bn level was set before the summit, however.

The bill includes $100m for the Contra rebels in Nicaragua.

Bill on illegal aliens, Page 4; US seeks world-wide arms cuts, Page 20

Deregulation of local US phones urged

BY WILLIAM HALL IN NEW YORK

MR Mark Fowler, chairman of the Federal Communications Commission (FCC), the primary regulator of the US telecommunications industry, has called for the complete deregulation of local US telephone services and the elimination of local subsidies.

The proposal, which has been floated in an article in the Federal Communications Law Review, could have as dramatic effect on local telephone services in the US as the breakup of AT&T in 1982 had on the long-distance US telephone services. It would open the door to a plethora of new competitors and services at the local level.

Mr Fowler used a similar article in the FCC law review a few years ago to propose sweeping changes in the regulation of the broadcasting industry – changes which were later implemented and which opened the way for the rapid restructuring now underway in this industry.

Although many federal restrictions have been removed in recent years, local US telephone companies are still tightly regulated at the state level in the US and Mr Fowler has long felt that the increased competition in long-distance telephone services, unleashed by the breakup of AT&T should be mirrored by increased competition at the local level.

Mr Fowler, one of the President Ronald Reagan Administration's leading proponents of deregulation, has proposed a three-year experimental suspension of local regulation of telephone companies to determine if competition and the ability to act quickly on business opportunities could reduce local telephone costs for all users. During the experiment, local telephone companies would be permitted to raise or lower rates and enter new businesses at will without advance approval from state or federal regulators.

Under Mr Fowler's proposal, which is being described as a blueprint for scholarly discussion, a state would be permitted to regulate home telephone rates only if it was willing to use taxpayers' money to subsidise them.

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Cable & Wireless signs China deal, Page 8

Taiwan Government to end 40 years of martial law

BY BOB KING IN TAIPEI

MARTIAL LAW is to end in Taiwan after almost 40 years.

The ruling Nationalist Party's powerful central standing committee yesterday accepted the recommendation of a 12-man group to lift the world's longest-standing martial law.

The decision had been rumoured for months since Mr Chiang Ching-Kuo, Taiwan's president, appointed the group to examine the so-called "six taboo issues" and recommend appropriate action.

The other issues included a ban on new political parties, autonomy for local government and rejuvenation of parliament and the National Assembly, both of which have been dominated by ageing members selected 40 years ago on mainland China.

Hopes of an and to martial law grew in recent weeks after a group of moderate opposition figures announced they had formed the Democratic Progressive Party.

The Government declined to take action and instead continued a dialogue begun earlier in the year aimed at creating political harmony.

Just a week ago, Mr Chiang warned party hardliners of the consequences of "rash actions" when they pressed for sedition charges against the new party members, as well as a continuation of martial law.

Some observers have expressed fears that the legislation replacing martial law might contain provisions effectively legalising or even toughening the repressions of the past.

But party insiders, and Mr Chiang, have said that most personal freedoms guaranteed under the nationalist constitutions of 1946 would be restored.

These include the rights of assembly, expression, formation of political parties, peaceful demonstrations and guarantees against civilians being tried in military courts.

The decision to lift martial law is the latest move in a decade of reform spearheaded by Mr Chiang and other progressives within the party. That it has taken so long demonstrates the influence of hardliners within the party as well as Mr Chiang's devotion to the rule of his father, the late Chiang Kai-Shek.

The ailing 76-year-old Mr Chiang appears to be trying to ensure that he leaves a viable political structure for Taiwan when he departs.

Success depends on how people take to the new freedoms. The new political party is made up mostly of old style Taiwanese who are not used to working together and this could prevent them from offering a reasonable alternative to the Nationalists.

CONTENTS

EUROPEAN NEWS

Lisbon plans to cut budget deficit by 10%

BY DIANA SMITH IN LISBON

A BLEND of exceptionally favourable international trends—the weak dollar, low interest rates and plummeting oil prices—and tighter discipline over public spending, has permitted Portugal's minority Social Democrat government to reduce the state budget deficit in 1987 to Es 415bn (£1.9bn).

The deficit is cut compared with 1986 by 10 per cent in nominal terms. Its ratio to GDP drops from 10 per cent in 1986 to 8.7 per cent in 1987, when GNP is expected to grow by four or five per cent.

Markedly improved tax revenue equivalent to $6.94bn amounts to 18 per cent of GDP.

The advent of VAT has been a boon for a government that despite promises of streamlining is still cerying the burden of an indebted, overmanned public sector and bloated civil service.

In 1986, VAT revenue exceeded forecasts by Es 30bn; in 1987 the new tax should bring in Es 275bn.

Introduction of VAT last January had the advantage of hauling into the tax net thousands of former non-taxpayers operating in the large black economy which has been estimated to equal a sixth of GDP and employs possibly 400,000 people or 9 per cent of the total active population.

More comfortable financial circumstances including an oil price windfall that will bring the government an extra $600m in revenue this year, have permitted Portugal to make early repayment of a part of its $16bn foreign debt this year.

But servicing of the domestic public debt will require a hefty Es 360bn in 1987.

Public sector companies, meanwhile, will receive Es 90bn in 1987 in capital endowments, compensation and capital increases—from a government that in its initial programme in 1985 vowed to make them obey market forces.

So far, the Cavaco Silva government, which has constantly pleaded a special case for Portugal as the EEC's poorest member, in Brussels, has failed to persuade the Community to approve an Ecu 1bn (£600m) 10-year agricultural recovery plan sponsored by the Community.

However, EEC funds are affording the Government a welcome breathing space in the financing of long-delayed infrastructures, job training and job creation.

EURO-COMMISSION ECONOMIC REPORT RENEWS PLEA FOR CO-OPERATIVE STRATEGY

EEC states 'must boost growth'

BY QUENTIN PEEL IN BRUSSELS

MEMBER STATES of the EEC are failing to take full advantage of the improvement in the international economic climate, and must boost their combined economic growth rates to make a significant reduction in unemployment.

That is the conclusion of the annual economic report of the European Commission, published yesterday, which renews its appeal for a "co-operative growth strategy" to co-ordinate the macro and micro-economic policies of the 12.

The report criticises the individual governments for failing to promote a genuine "social dialogue" between employers and trade unions, to ensure a higher rate of private investment is matched by continuing moderation in wage growth.

On present trends, the Commission says, unemployment in the Community will still top 10 per cent in 1990 – which is "an unacceptable prospect." The member states must boost the likely average economic growth rate of 2.7 per cent per year to about 3.5 per cent – and thereby bring the rate of unemployment down to about 7 per cent.

In spite of the widespread acceptance of the same policy prescription by member states and the other European institutions last year, not enough has yet been achieved, the Commission says.

This year it calls on the 12 governments to report back to each other by May next year on what they have done to implement the strategy. It urges the individual countries to promote a "social dialogue" along the lines being followed at EEC level by the main employers' and trade union organisations. And it urges those organisations themselves to launch their own initiatives for faster economic growth.

It also underlines the need for greater efforts to be made to encourage real convergence in the EEC economies, not only in bringing their inflation rates into line as they have been notably successful in doing, but also in bringing per capita incomes and unemployment rates closer together.

The report's analysis starts with the radical improvement in the Community's external terms of trade – the price the EEC pays for its imports and receives for its exports – thanks to the fall in the price of oil and the drop in the value of the dollar. The magnitude of that change is unprecedented in post-war history, and its effect is still unpredictable.

The principal effect in the EEC has been the improvement in real consumer incomes, reflected in the steady growth in consumer spending – the major factor underpinning current economic growth – rising by an expected 3.7 per cent this year.

Investment in equipment is also relatively buoyant, showing a real increase of about 6 per cent. But construction investment is still lagging behind this year, growing by only 2.3 per cent. The growth of public sector consumption is well below the growth of domestic demand, at only 1.7 per cent.

At the same time as the Community is entering its fifth year of consecutive economic growth; real labour costs per capital are stable; and the average rise in consumer prices is expected to be the lowest in the member states on average for 20 years, at only 3.7 per cent.

"This favourable situation will not be repeated in the coming years," the Commission says. "The improvement in the terms of trade has provided the European economies with an opportunity to obtain a further improvement in profitability while permitting a relatively sustained increase in real household income."

Investment must be raised to contribute at least 3 per cent more in terms of its share of value added, and the relationship between growth and the creation of jobs must also improve.

This can be done by keeping real wage growth "moderate" while governments exploit whatever budgetary flexibility they have for demand stimulation.

The Commission is determined not to be seen as calling again for West Germany to be the "locomotive" of economic growth in the Community and its officials insist that a marginal cut of 0.5 per cent in German interest rates would have a negligible effect.

Nonetheless, West Germany and Luxembourg are the two member states which have the greatest budgetary room for manoeuvre, followed by the UK and France.

At the bottom of the list come Belgium, Greece, Ireland and Italy.

The two most significant criticisms the report makes of UK economic policy – between the lines after the report has been edited – are that real wages are still rising too fast, and that the social dialogue is virtually non-existent.

"Against the background of the declared aim of government policy to guard against any shortfall of demand in the economy, contact between government and the representatives of employers and employees can contribute to greater awareness on all sides of the importance of lower wage increases for employment creation," it says.

Italian metalworkers set to resume pay talks after stoppage

BY JOHN WYLES IN ROME

LEADERS of Italy's 1.5m metalworkers are set to return to deadlocked national pay negotiations in a much more confident mood after an unexpectedly successful four-hour strike.

This growing confrontation within the engineering industry is emerging as much the most important among the dozen or so sectoral negotiations underway for the renewal of national agreements.

The metalworkers see themselves – and are seen by others – as the union movement's shock troops. A sufficient number turned out to do battle on Tuesday to reassure union leaders of support for their tough negotiating stance.

This was a considerable relief to the leaders who were unsure of how much support they could count upon.

Mr Giorgio Benvenuto, chief of the traditionally less militant UIL confederation of unions, claimed that the stoppages were a warning to employers "to realise that the trade union remains a strong and essential interlocutor" in determining pay and conditions.

Factories in Lombardy, Piedmont and Emilia Romagna, Italy's industrial heartlands, bore the brunt of the stoppage. The actual number of workers involved was predictably in dispute with employers and unions claiming widely differing figures on Tuesday.

Between 50 and 80 per cent of Fiat workers stopped work, according to the unions, while the company's assessment was an average of 25 per cent

An estimated 30,000 workers took part in a parade through the centre of Milan, waving banners and singing in a spectacle that had not been seen for four years. Brescia, the home of Italian entrepreneurship, played host to a large rally to mark a 24-hour strike in that area.

Union leaders were due to have a preliminary post-strike encounter with employers' negotiators in Rome last night

After an unprecedentedly meticulous consultation with their members, the unions have lodged a long and detailed claim for higher pay, new consultation procedures, shorter working hours and improvements in a number of welfare issues.

Turkish budget deficit to rise by record 82%

BY DAVID BARCHARD IN ISTANBUL

TURKEY'S BUDGET deficit will rise by a record 82 per cent next year to Turkish Lira 920bn (£929m), the Government announced yesterday when it submitted the first draft of the 1987 budget to parliament.

Public sector borrowing will grow by 44.4 per cent to TL 3,010bn as a result of increased spending on debt repayments and government salaries.

Turkey's heavy debt servicing obligations will continue to take the lion's share of budget spending—TL 4,875bn (£4.8bn). Next year looks like being one of the most difficult in Turkey's foreign debt repayment schedule and debt servicing expenditures have risen by just under 60 per cent in Turkish lira terms.

However, the Government, which recently suffered a serious political setback at by-elections in late September, is also to spend much more than in recent years on civil service salaries, the second largest budget item.

These will grow by 61 per cent to reach TL 2,250bn (£2.2bn), which will be taken as a signal here that the Government is bending to political realities. In recent years, civil service salaries have been rising around 30 per cent.

Spending on public sector investments will grow by a planned 33 per cent more or less level-pegging with the official inflation figures.

Bankers of Istanbul look to less troubled balance sheets

BY ALAN FRIEDMAN IN ISTANBUL

IT HAS been raining in Istanbul this week, but leading Turkish bankers reckon that sunnier days are in the offing, not just for the city itself but also for the cloudy and troubled balance sheets of many of Turkey's major financial institutions.

After years of economic chaos which has seen monstrously high inflation levels and the piling-up of non-performing loans which are thought by some to have totalled 20 per cent of outstanding bank debt, the weary bankers of Istanbul think they are finally over the worst.

"We are cleaning up our balance sheets, we are rationalising," claims Mr Husnu Ozyegin, managing director of Yapi Kredi, Turkey's fourth biggest bank with $3bn (£2.06bn) total assets.

Other bankers cite Mr Ozyegin's bank as one of the Turkish financial world's major turn-around stories, a bank which by the Yapi director's own admission, "was three years ago thought to be going under."

The formula for survival has varied from bank to bank, but in a nutshell it has included coming to terms with huge bad debts by taking some of the write-offs on the chin and meanwhile cashing in on the property and industrial assets of failed customers through out-of-court settlements.

At the same time, the Ankara Government's high interest-rate policies of the past three years, although a problem for many corporate borrowers, have permitted banks to recoup profits desperately needed to cover accumulated losses.

Istanbul bankers still face a number of daunting problems, added to which is now their concern at the prospect of a deterioration of the political stability which has existed since Prime Minister Turgut Ozal took office with a harsh economic austerity programme more than three years ago.

'The formula for survival has varied from bank to bank, but in a nutshell, has included coming to terms with huge bad debts by taking some write-offs on the chin and cashing in on the assets of failed customers through out-of-court settlements'

In key by-elections last month, Mr Ozal's pragmatically-oriented Motherland Party won only six of 11 seats being contested.

In Turkey, that amounted to a major set-back for Mr Ozal — the real winner was former Prime Minister Suleyman Demirel, whose followers made important gains.

The fear among bankers and the Istanbul business establishment—a fear which incidentally is shared by many upper middle class intellectuals—is that should Mr Demirel return to power in the next couple of years, he might put into practice some of the demagogic promises he has been making to the austerity-shattered electorate — promises which could translate into much higher public spending another round of hyper-inflation and economic chaos.

For the banking community, that would amount to a return to the bad old days, and before the clean-up is even completed. It is not as though the banks are out of danger yet.

Inflation, while down significantly on 1983 levels, is still running at between 30 and 35 per cent. The cost of borrowing for top quality corporate names can be an initial 55 per cent, which becomes close to 80 per cent once it is compounded quarterly.

Problem debts at banks are beginning to be dealt with, but there are still some of Turkey's 53 banks which if audited in London or New York, might well be considered technically bankrupt.

A widespread estimate is that bad debts today total roughly Turkish Lire 1,000bn (£1bn) out of total loan advances of TL 6,500bn in the banking system.

Mr Erol Sabanci, who runs Akbank, Turkey's third bank and one of the soundest, says: "If a bank has excessive bad debts, makes small provisions and then shows a profit, what does that mean? I can smell something."

Most of all, says the Akbank chief, central bank supervision needs still more tightening.

For the time being, though, change is slow in coming. The real winners in Turkish banking are either institutions which have been brave enough to start writing off rather than covering up and those foreign banks and small Turkish banks which are lean and fit enough to find profits in niches of the market, be they trade finance, letters of credit or quality lending.

It is no accident that the average return on assets at foreign banks is a stunning 10 per cent, against an average at cost-burdened big Turkish institutions in the 2-2.5 per cent range.

For bankers up and down the Bosphorus, the clouds may appear to be lifting, but appearances can often be deceptive.

Bonn unveils plan to assist hard-hit regions

BY DAVID MARSH IN BONN

THE WEST German Government yesterday unveiled a DM 420m ($146m) programme to pump funds into hard-hit northern coastal regions suffering from the severe downturn in shipbuilding and other maritime industries.

The funds are planned to be bolstered by a further DM280m from state (Laender) governments in the regions concerned.

The money will be made available for infrastructure projects and to provide alternative employment for some of the 10,000 shipbuilding workers expected to lose their jobs over the next few years.

Mr Martin Bangemann, the Economics Minister, yesterday said the aid represented structural help to foster the shipbuilding and shipping industries' adjacent process.

He denied that West Germany was adding to general international subsidies in shipbuilding, pointing out that capacity was being cut back in the German industry in line with reduced world demand.

The overall aid programme will be made available over the next two to three years for the states of Schleswig-Holstein, Lower Saxony, Bremen and Hamburg.

The region has already lost 15,000 jobs in shipbuilding during the past six years.

Around one quarter of the remaining 42,000 jobs seem also likely to go as a result of the continuing fall in demand for new ships and tough competition from countries such as China and South Korea.

The centre-right coalition government is publicly committed to further cuts in subsidies throughout the economy as the prime condition for tax cuts under its rigorous budgetary policy.

Mr Bangemann, who pointed out that the plight of the coastal regions was being worsened by falling competitiveness caused by the strength of the D-Mark, said the money would be used to open up new "growth areas" in the north.

He stressed the cash grants were in conformity with rules over support for structural changes in industry laid down at the Organisation for Economic Co-operation and Development.

Mr Gerhard Stoltenberg, the Finance Minister, underlined that the shipyards' long-term future would be assured only if pay rises in the industry were kept down.

French lamb outcry grows

BY PAUL BETTS IN PARIS

FRENCH farmers yesterday intensified their campaign against British lamb imports in an effort to put further pressure on the French and EEC authorities to increase support to their troubled sector.

Lamb producers in France are suffering from a collapse of lamb prices on the French market and are alarmed by the current fall in the value of sterling which in turn is boosting the competitive position of British lamb.

Farmers in the centre of France yesterday seized a French lorry carrying 300 British sheep and another Irish lorry carrying beef. The latest incidents follow a series of other protest actions against lamb imports at the beginning of this month.

Brussels details Ecu 800m telecom programme

BY WILLIAM DAWKINS IN BRUSSELS

THE EUROPEAN Commission yesterday put forward a detailed Ecu 800m (£586m) plan for developing advanced telecommunications systems in the Community.

Launched last December, Research in Advanced Communications for Europe (Race) has now nearly completed its first Ecu 40m definition phase, during which experts have been working out aims and objectives.

The programme is intended to create a common European basis for broadband communications, in which voice, data, text and pictures can be combined in one transmission.

The Commission has chosen this moment to submit proposals for Race's next round of funding — which will cover the programme from 1987 to 1991 —in an attempt to avoid the risk of the project running out of cash by the end of the year because of a continuing wrangle with member-states over research spending in general.

Brussels has singled out Race for special treatment from its other research programmes because the Commission feels it has prime importance in assisting Community telecommunications groups to gain a strong world position in the next generation of products.

Race aims to help standardise and contribute up to half of the costs of development of advanced telecommunications projects and as such has implications for a wide range of related industries.

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W. German foreign assets double

By Andrew Fisher in Frankfurt

WEST GERMANY'S net foreign assets have more than doubled since the end of 1983 as a result of its soaring surpluses, and the country has become one of the world's biggest creditor nations, the Bundesbank said.

At the end of June this year, Germany's net foreign assets stood at DM 183bn ($93bn at the then exchange rate) compared with DM 158bn at the end of 1985 and DM 88bn in 1983.

Comparing figures for the end of last year, the West German central bank found that West Germany, with net foreign assets then of around $71bn, was surpassed by only Japan (with $130bn of net external assets), the UK ($116bn), and Switzerland (an unofficially estimated $100bn).

This was apart from such oil-producing countries as Saudi Arabia and Kuwait, for which exact figures are not available, but which are thought to have more assets abroad than West Germany.

The US was the largest debtor nation among the industrialised countries, with a net indebtedness at the end of 1985 of $107bn, the result of the hefty current account deficits it has been running.

The Bundesbank pointed out that the past two years had seen a huge switch in the asset positions of the richest nations. At the end of 1983, the US enjoyed net foreign assets of $89bn, exceeding those of the UK ($84bn), Japan ($37bn), and Germany ($41bn).

This shift had been accentuated in the first half of 1986, it said. While the US current account had been showing an even bigger deficit, the surpluses of Japan and Germany had grown further as oil prices have fallen.

But the latest currency changes, with the dollar falling sharply on foreign exchange markets, weaker economic growth in the US, and stabler oil prices meant that these trends would not be so marked in future.

Belgian King seeks end to political crisis

By Tim Dickson in Brussels

KING BAUDOUIN of Belgium is due to continue his discussions with political leaders today in an effort to find a way out of the country's current constitutional crisis.

The King, who refused to accept the resignation of Prime Minister Wilfried Martens on Tuesday, will be using his influence to persuade the parties to settle their differences over the so-called "Happart affair."

The four-party centre-right coalition of Christian Democrats and Liberals is split over what to do about Mr Happart, the former mayor of a Flemish commune whose election was recently annulled by the quasi-judicial Council of State on the grounds that he refuses to learn adequate Flemish.

The King spent much of yesterday talking with the Socialists and other opposition parties but the main chance seems to lie in patching up the disagreement between the French and Flemish speaking wings of the Christian Democrats.

David Buchan reports on fresh evidence of Moscow's progress in laser development

Beam of light on Soviet Star Wars research

"ONLY A MADMAN," said Mr Mikhail Gorbachev at the close of the Reykjavik summit, would have accepted President Ronald Reagan's proposal that the US be free to test, develop and, at the end of 10 years, possibly deploy a Star Wars missile defence.

Yet, by an extraordinary irony, at the very time world attention is focused on the Strategic Defence Initiative (SDI) as the biggest and perhaps the only obstacle to nuclear peace, new light has been thrown on comparable Soviet efforts in Star Wars technology.

Up to now, the world has depended on glossy brochures from the US Defence Department for its knowledge of Soviet research and development of ballistic missile defence. These publications have given much detail, but for understandable reasons, no sources. They claim, inter alia, that 10,000 Soviet scientists and engineers work on the Soviet laser programme, but none of these have emigrated or defected to tell the West about it.

It now appears however from secret internal Soviet documents reaching the French Government that as long ago as 1979-80, three to four years before Mr Reagan made his famous Star Wars speech, that the Soviet Union was combing the West for technology to incorporate into its development of ground, air, and space-based lasers.

In some instances, the lasers being developed were very powerful, up to 10 megawatts, and mounted "on airborne systems for military purposes" (na letatelnich apparatakh v voennikh tselyakh in the Russian).

Now, despite the general impression that the Soviets have flatly denied any space-oriented military research, some partial admissions have been publicly made. In May 1985, Marshal Sergei Sokolov, the Soviet Defence Minister, said: "We conduct scientific research work, including in the military sphere. But this work is not aimed at creating strike space weaponry, but is linked with the perfection of space early warning, reconnaissance, communication and navigation systems."

General Nikolai Chervov of the general staff went a little further a year ago. He admitted to the existence of some experimental lasers, but said they were "weak" and designed to "locate and detect" satellites.

But the documents speak of programmes, run in some cases directly by defence-related ministries, to produce "an effective anti-missile defence for our country," a high-powered Soviet laser being designed for space," chemical lasers and various "powerful" lasers for use on board military aircraft. This, at least, suggests that the Soviet Union's top military men have been rather modest in public pronouncements about their research effort.

These internal admissions about Soviet Star Wars efforts have been thrown up in a fortuitous chain of events that starts with a man codenamed Farewell. He was a senior KGB official in Directorate T (Technology) of his agency. Between spring 1981 and autumn 1982, he passed to French counter-intelligence a welter of documentation on Soviet technical espionage efforts.

This haul of documents from Farewell, who is believed to have been arrested after late 1982 and probably executed, contained two annual reports

Marshal Sokolov . . . space research conducted

(for 1979 and 1980) by the Military Industrial Commission (VPK by its Russian initials) to the Soviet Government.

The VPK has two roles—to co-ordinate arms production and to supervise the collection of foreign technical intelligence and its incorporation into military research and development.

Written reports accompany each stage of the bureaucratic process, covering which VPK tasks are allotted to which intelligence services, how successful those agencies are in fulfilling the tasks, and how useful VPK member ministries and enterprises judge the foreign know-how or samples to be.

It is among a mass of VPK reports on this last stage (utility assessment) that there are a few telling references to Star Wars type programmes.

No sweeping conclusions can be drawn from the material. It does not prove the Soviet Union has violated the 1972 Anti-Ballistic Missile (ABM) treaty. That agreement limits each superpower to protecting only one site (Moscow in the case of the Soviet Union) with a missile defence system.

The reference to research into "anti-missile defence for our country" (strano in the Russian) suggests an eventual intention to breach the 1972 geographical limitations on ABM defence, just as the US has publicly recognised that actual deployment of a Star Wars system would entail scrapping, or totally rewriting, the 1972 pact.

The ABM treaty permits some research, even into systems based on new physical principles. Just how much research was the key Reykjavik dispute. But the Farewell material suggests that the Soviet Union has been doing rather more than the laboratory research to which it now wants to confine the US.

The Farewell documents show the main source of Soviet acquisition of Star Wars-type technology was the US, the main collector was the KGB, and the main area was lasers.

There appear to be three Soviet laser programmes. The first, involving ground-based lasers, has probably been going longest, principally at Sary Shagan in central Asia, known for many years to be the chief Soviet range for traditional ABM testing.

Western experts believe it may be linked with the Astrofizika scientific production association, identified in the Farewell papers as the utiliser in 1976-77 of foreign "samples and technical documentation relating to precision machining of metal-optical surfaces." These are the mirrors needed to concentrate laser beams to a weapon-strength intensity and to steer on to the target.

Astrofizika, which comes under the Ministry of Defence Industry (only one of nine defence-related Soviet ministries), was also cited as the user of US-origin reports on chemical lasers.

The Soviet airborne laser programme, paralleling a well publicised US one, seems recently to have suffered a setback with the destruction by fire on the ground this year of an airborne laser laboratory installed inside an IL-76 transport aircraft.

But several years before (in 1979) the Institute of Atomic Energy claimed to have gained from US experience in its study of the optimum weight and dimensions for space and for military aircraft of "a series of lasers from 1.5 to 10 MW."

The probable purpose of the airborne laser programme, Western experts believe, is to study the performance of lasers in the upper atmosphere (where laser beams diffuse less) without launching a costly spacecraft for every experiment.

The Farewell documentation identified the Energiya scientific production association as active in chemical lasers as well as the Soviet shuttle programme.

The documents cite no individuals. But it must be of some considerable advantage for Mr Gorbachev to have on his negotiating team, at Reykjavik and elsewhere, Mr Yevgeni Velikhov, whose role as deputy director of the Institute of Atomic Energy has given him a thorough grounding in lasers.

Two other senior advisers on laser technology are of note—Mr Alexander Prokhorov and Mr Nikolai Basov. In 1964 they shared with an American the Nobel Prize for Physics—an indication that the two superpowers were then level-pegging in laser technology. They still may be today.

Congress set to pass bill on illegal aliens

BY LIONEL BARBER IN WASHINGTON

A LANDMARK immigration bill, containing the biggest changes in US law for at least 20 years, is near final approval by Congress.

The bill would grant an amnesty to several million illegal aliens in the US and impose penalties on employers who hire illegal aliens in the future.

Congress has wrestled with the issue for five years, but pressure for reform has been building up as the number of illegal aliens grew.

The US Government estimates that 8m to 10m illegal aliens live in the US and 6m attempt to enter each year. Stemming the tide proved difficult because farmers in the west argue they need casual labour for the harvest. Minorities, particularly the Hispanic lobby, have also fought against any appearance of discrimination.

The compromise package agreed on Tuesday by representatives of the House and Senate strikes a balance between the various interest groups while attempting to discourage employers from hiring cheap and illegal labour.

The package has been sent for final approval this week to the Senate and House. If it gets clearance, it must be signed by the President, who has expressed support for reform.

Under the bill, employers would be subject to civil penalties ranging from $250 to $10,000 for each illegal alien they hired. The number of illegal aliens who are likely to benefit from the amnesty is unclear, but estimates range between 1m and 5m.

If the bill becomes law, employers will have to ask all job applicants for documents such as a passport or driver's licence. But the bill avoids the earlier controversial provision for national identification cards.

The House of Representatives at this week's meeting dropped a provision which would have let penalties against employers of illegal aliens expire after six and a half years. This provision had been criticised as too lenient.

There is also a clause which provides for a special amnesty for foreign agricultural workers.

Strong car sales boost US retail figures

By Stewart Fleming, US Editor, in Washington

THE CONTINUING strong growth in car sales since late summer triggered a record monthly rise of 4.6 per cent in the Commerce Department's monthly estimate of retail sales in September. But without the car component retail sales rose only 0.1 per cent.

A big jump in the retail sales figure had been anticipated on Wall Street—private economists had estimated the gain at between 2 per cent and 4 per cent. But most doubt that the gain significantly changes their expectation of a continuation of the sluggish pace of economic growth.

The September car sales boom had already been reported by Detroit car manufacturers and it had continued into early counts and sales incentives, including below market interest rates which the car manufacturers have been offering to get rid of bloated stocks.

How long the fierce selling race can continue is in doubt. Some expect it may last some weeks longer and that consumer spending in general on durable goods may pick up because of tax reform legislation passed last month.

Canute James reports on the resignation threat by the island's leader

Scepticism greets Jamaican crisis

EXPERIENCED POLITICAL observers in Jamaica may be forgiven their scepticism at this week's political crisis in the island. The crisis follows the announcement by Mr Edward Seaga that he intends to resign the Prime Ministership next August, after stepping down next month as leader of the conservative Jamaica Labour Party.

Mr Seaga himself has contributed to the observers' scepticism. There is a tendency to put a more complex interpretation on his action, for he has done it before. In 1979 he resigned the leadership of the party, then in opposition, after disagreements with the party chairman. He withdrew his resignation shortly afterwards when the chairman submitted his own resignation.

Senior members of the JLP say with some conviction that they have no doubt Mr Seaga will change his mind and suggest that the intended resignation is something of a tactical retreat by the Prime Minister. Mr Seaga has been under fire from the parliamentary party, after the steady fall in the JLP's popular support over the past three years.

Mr Seaga announced his resignation at a weekend meeting of the party's executive committee during which some MPs suggested that support for the party had been eroded by the Government's economic programmes and by Mr Seaga's style of leadership. At issue was the reason the JLP lost last July's local government elections to the social democrat People's National Party, led by Mr Michael Manley.

Mr Manley . . . demanding election.

Mr Seaga announced his plans and left the meeting. Immediately, the party executive "voted unanimously, according to a statement from Mr Seaga's office, to reject his proposed resignation. The party split has apparently been healed, but the Prime Minister has remained unmoved through several Cabinet and party executive meetings which have urged him to reconsider.

The PNP, which has been advocating a general election before it is constitutionally due in October 1988, said the current crisis in the Government could be resolved only by an immediate vote. Mr Seaga's plan to step down as party leader next month but to continue as Prime Minister until August is "a farce," said Mr Percival Patterson, the PNP chairman.

If Mr Seaga surprises the sceptics and ignores the pleadings of the party faithful, his successor, who is likely to be Mr Hugh Shearer, the deputy Prime Minister, will be hard put to manage the island's embattled economy.

Mr Seaga's election in 1980 coincided with the start of a fall in demand for bauxite, the island's main export. Output last year was just under half that of 1980. Similar problems for sugar and bananas significantly reduced export earnings. Growth in tourism of 65 per cent since 1980 has not compensated for the shortfall.

It was against this background that the Prime Minister started deregulating the economy, removing import controls to provide domestic industry with competition, while trying to boost exports of "non-traditional" products, such as garments and vegetables. There is still no indication that the Prime Minister's policies have worked.

Unemployment has remained at just under 30 per cent and the economy has stagnated. Growth declined by 3.5 per cent last year and 40 per cent of export earnings are needed to service the foreign debt of $3.2bn.

Mr Seaga's difficulties have been compounded by problems in meeting economic performance criteria agreed with the International Monetary Fund.

At the centre of the current talks with the fund, from which Jamaica is now seeking a new package of credits, is a recommendation from the IMF that the Jamaican dollar be immediately devalued by 10 per cent. Mr Seaga has baulked at this proposal.

It is widely held in the administration that the cumulative 73 per cent devaluation over the past three years has contributed to the fall in the Government's popularity. The Government is instead offering to devalue next year and again in 1988, a proposal which has so far not been accepted by the Fund.

Those Labour Party officials who suggest the Prime Minister will stay on, say he is seeking a mandate from the party as a condition. This is designed to ensure that he will not be hammered by his critics if he is forced to implement more unpopular austerity as part of any agreement with the IMF. Already, Mr Seaga has started a house-cleaning, with a promised reshuffle of several major Cabinet portfolios.

Brazil finds oil in the Amazon basin

By Ivo Dawnay in Rio de Janeiro

BRAZIL has made a small but significant find of good quality oil in thevast Amazon region after three decades of searching had revealed only pockets of natural gas.

The discovery, by drilling rigs of the national oil company Petrogas, was announced on Wednesday by no less than the Brazilian president, Mr Jose Sarney. "God is helping Brazil." he said.

So far, the quantity of oil discovered is small delivering 850 barrels a day from a 2,500 metre deep well situated half way between Manaus and the Peruvian border, deep in ths heart of the upper Amazon region.

Petrogas believes that the find will shortly produce 10,000 barrels a day, and are stepping up their explorations in the area which up to now have cost $50m.

Extraction costs in the Amazon are estimated at about $3 a barrel—four times less than those in Brazil's deep water Campos Besin field off the coast of Rio de Janeiro state. The oil discovered is described as light, high quality, and suitable for diesel fuel.

Exploration in the Amazon has continued sporadically since 1955, resuming more systematically after 1978 when gas was found in the region. Recently a substantial deposit of 20bn square metres of gas was found, but its viability is hampered by a location 1,100 km from Manaus.

Petrogas officials say the size of the new oil find is yet to be accurately assessed, but they believe the total area of the field to be around 17 square km. Engineers claimed that while no ona expected the total to be enormous, they anticipated extracting "good quantities" when two new wells are drilled on the the site over the coming weeks.

The company is also expected to re-allocate a substantially larger proportion of its $700m exploration budget for the year for further investigations in tha region.

Peru's civil servants in pay strike

By Doreen Gillespie in Lima

PERU'S civil servants yesterday began a 48-hour strike against the Government's wages policy, bringing work to a halt at eight ministries.

The strike follows growing unrest on Peru's labour front, as the Government—which pushed up salaries in its first year in office—reconsiders its wages and prices policy.

Across-the-board wage increases announced by President Alan Garcia at the end of September have been delayed. The Government has promised to increase the minimum wage by 30 per cent to intis 900 (£45) a month, give non-union personnel a 25 per cent rise, increase civil servants' pay by 25 per cent, and teachers' by 30 per cent.

The Government's failure to ratify the increases has been caused by delays in approving a mechanism to put up prices, most of which have been frozen for the past 18 months. Exporters, especially mining companies, also claim they are suffering high losses, because of the Government's refusal to make an effective devaluation of the inti against the dollar.

Miners are threatening a general strike on October 22 and 23, and the General Federation of Workers is to call a general strike next month in protest against the Government's labour policy.

Labour unrest has coincided with a fresh outbreak of terrorist violence. On Tuesday retired Vice Admiral Geronimo Cafferata, the president of the state Industry Bank, was gunned down by three men and a woman, armed with machine pistols.

Mr Cafferata, though seriously injured, survived. Police have captured ona of the hit team. They said the attack was planned by Maoist Sendero Luminoso guerrillas and may have been an attempt to disrupt the top level meeting on regional debt which begins today.

Debtor nations seek new approach

By Peter Montagnon, Euromarkets Correspondent

A TOP-LEVEL meeting of 25 debt-ridden Latin American nations opens in Lima today to examine new approaches to servicing the region's $370bn (£259bn) foreign debt.

The meeting aims to thrash out a common approach to present to the United Nations where the debt issue will be debated for the first time this year. It is being held under the auspices of the Latin American Economic System (SELA), a regional grouping.

Officials say the meeting is unlikely to result in any concerted action, given the wida differences in countries ranging from Chile to Cuba.

A key item on the agenda is the feasibility of linking debt service payments to economic performance, a concept which has been gaining ground since Peru decided a year ago to limit payments to 10 per cent of exports.

Delegates will be looking at potential indicators for such payments, including export earnings, growth levels and world commodity prices.

Alfonsin gives backing to bankers accused of fraud

BY TIM COONE IN BUENOS AIRES

FORMER BOARD members of Argentina's Central Bank, who were accused of fraud at the beginning of the week by the State Prosecutor for administrative investigations, have received a message of unequivocal support from the Argentine Government.

Two of the board members are in President Raul Alfonsin's economic team: Mr Marcelo de Corte, the director of the country's tax system and Mr Ricardo Mazzorin, the Secretary for Internal Commerce.

Mr Carlos Becerra, the Secretary Ganeral of the Presidency, a close personal adviser to President Alfonsin and a key figure in the ruling Radical Party, said on Tuesday evening: "The Government gives its most absolute support and solidarity to all the boards of the Central Bank since the assumption of the constitutional government in December 1983. It has the most absolute confidence in the moral and ethical integrity of those who have had the responsibility to manage the highest credit authority in the country."

He went on to say, however: "This does not imply from any point of view, the interference of the Government in the affairs of the State Prosecutor. The Justice Department will have the last word."

The State Prosecutor office also named Mr Alfredo Concepcion, the former president of the Central Bank, and Mr Leopoldo Portnoy, the vice-president. The former was a political appointee of President Alfonsin. The accusations are the most serious yet to have been made against existing or former members of President Alfonsin's Government.

Financial reforms, Page 23

Mafia denial

THE SELF-CONFESSED former head of the Sicilian mafia, took the witness stand in his own defence yesterday at the "pizza connection" drug trial and denied involvement with narcotics trafficking, AP reports from New York.

Gaetano Badalamenti, 63, is one of 20 defendants accused of operating an international ring that smuggled $3.6bn of drugs

Nominee backs down

PRESIDENT Ronald Reagan's controversial nominee for ambassador to Belize has withdrawn his name from consideration after an 18-month dispute.

Mr James Malone, a State Department official who previously served as assistant secretary of state for oceans and international environmental and scientific affairs, said he was stepping down

OVERSEAS NEWS

Ershad supporters openly rig ballot

BY JOHN ELLIOTT IN DHAKA

AN OVERWHELMING victory in Bangladesh's presidential election yesterday was assured for Lt-Gen Hossain Mohammad Ershad, the country's military ruler, when massive ballot rigging produced a high poll thought to be more than 50 to 60 per cent, even though the actual turnout of voters was thought to be little more than 10 to 15 per cent.

There were scattered incidents of violence during the day, but most main urban areas were deserted and shops were shut, partly in response to a boycott and general strike call by leading opposition parties, and partly because of widespread fear of threatened attacks by gangs of political activists.

The first results last night showed Gen Ershad far ahead of any of his 11 rivals with about 170,000 votes followed by 4,000 for Maulana M. H. Huzur, leader of a fundamentalist Moslem party, and 3,000 for Col (retd) Faruk Rahman, a retired army officer who led a coup in 1975.

A variety of rigging techniques were used in polling booths by activists of Gen Ershad's ruling Jatiyo Party to boost turnout to a high voting figure so that the result had credibility. But the poll was stage-managed so openly that credibility was lost and was described last night as a "sheer mockery" and "nothing but a farce" by Sheikha Hasina Wajed, leader of the Awami League opposition alliance. Her party is calling a day of protest starting this morning.

"I do not want to lie so please do not ask me any questions," said a headmaster in one Dhaka school polling station. He was unwilling to rebut my allegation of rigging and explain how nearly 80 per cent of his voters' lists had been ticked off by mid-day.

"I want to keep my job, don't ask me these questions" said another college head whose polling station vote count had rocketed from under 5 per cent to around 90 per cent in three hours between noon and 3 pm. "We are just sitting here and can do nothing about it," said a woman official.

In one polling station three different rigging techniques were being used which were common across the country. Voters' names were ticked off in the order they appeared on the list by party officials in one room. All the voting slips in another room had been stamped against the plough symbol of Gen Ershad, and I saw an old man given one of these completed slips to put in the ballot box. In a third room, men with an indelible ink mark on their thumbs, which showed they had already voted, were lining up to vote again.

As we approached polling stations outside Dhaka, young men and women were lined up by Jatiya Party attendants, as if they were waiting to vote to give the impression of a steady turnover. Some included people who had voted before. "I voted earlier, but when they saw you coming, they told me to line up here," said one woman whose thumb bore the ink mark and who also already had two ink lines on a finger, indicating she had already voted twice.

In many rural booths, names were being gradually ticked off down the columns of the voters lists with little pretence at concealing the rigging. In a booth at a textile mill outside Dhaka I saw two voters claim their names had already been ticked. "Don't make a fuss here now, you can vote later anyway," said an official.

This was the second time in five months that heavy rigging has been employed to give a victory to Gen Ershad, who made himself president three years ago and yesterday was seeking an electoral mandate. Parliamentary elections in May were heavily rigged.

But there was less violence yesterday than had been feared although there were some small bomb blasts. Shots were fired during a scuffle outside the Dhaka house of an opposition leader and police clashed with Dhaka students.

Nigeria obtains $4.3bn loan

By Michael Holman in Lagos

NIGERIA has reached agreement with the World Bank on a three-year $4.3bn project loan beginning next year which will also support the country's economic reform programme, Dr Chu Okongwu, the Minister of Finance, announced yesterday.

Although substantial World Bank lending to Nigeria was expected, the amount exceeds earlier Government hopes, and follows the recent signing by Nigeria of an economic policy memorandum for the International Monetary Fund (IMF).

Although the Government does not intend to draw on the SDR650m loan from the IMF to which it has become entitled, the memorandum's commitment to a series of economic reforms has opened the way to rescheduling of Nigeria's estimated $19bn debt as well as to additional resources from the World Bank.

The Minister said that the loans ($1.4bn in 1987, $1.2bn in 1988 and $1.7bn in 1989) showed that the "Bank has confidence in our policy and in our economy."

Dr Okongwu yesterday took the unusual step of releasing the text of two documents by the IMF and the Bank which called for support from the international financial community for Nigeria's far-reaching economic reform programme.

The military government of President Ibrahim Babangida has in recent months steered a delicate course which takes into account domestic opposition to an IMF loan and the demands by international creditors that the country's estimated $19bn debt cannot be rescheduled unless policy reforms have an IMF seal of approval.

In releasing the documents, Dr Okongwu was drawing attention to the backing Nigeria's economic programme has won from the IMF and the World Bank, while demonstrating to Nigeria that the Government was keeping its pledge not to take a fund loan.

A joint note by the staff of the IMF and the Bank urged commercial banks at a meeting in London last week, held to reschedule Nigeria's debt, to provide sympathetic treatment of Nigeria's rescheduling request.

It also made clear the IMF's continuing role in Nigeria's economic management, stating: "The fund will monitor performance under the adjustment programme."

The note describes the policy reforms, which have included a major devaluation of the naira as a "major turning-point in Nigeria's economic policy," and stresses that "support from the international financial community will be essential ingredients in the success of the programme."

The second document by the IMF representative at the London meeting of the commercial banks referred to the Funds "deep concern" over the original suggested terms for the rescheduling of Nigeria's $7bn medium-term and long-term commercial bank debt, and the additional $320m loan from the banks requested by Nigeria.

Iraq 'drives off Iranian attack'

By Our Middle East Staff

IRAQ claimed yesterday to have re-taken a strategic hill in the central war front, but admitted that one of its fighter aircraft had been shot down by Iranian forces during a raid on the Kharg Island oil terminal.

Both sides have reported continued fighting in the area around the Iranian border town of Qasr-e-Shirin. An Iraqi communique said that its forces had battled for five hours on Monday night in an attempt to prevent Iranian troops gaining a foothold on the disputed hill. However, Baghdad claimed that a later assault backed by helicopter gunships had driven off the Iranians and inflicted "thousands of casualties."

It is rare for Iraq to confirm the loss of an aircraft. Iran said yesterday that one Iraqi warplane had been shot down over Kharg Island but there was no indication whether it had been brought down by surface to air missiles or by Iranian jets.

Iran has taken delivery over the past few months of up to 40 Chinese-manufactured versions of the Soviet Mig-21, and has become slightly more adventurous in its use of its modest air power. Until the arrival of the Chinese jets, Iran was thought to have only about 40 fully operational attack aircraft.

Coalition crumbles in Philippines

BY STEVEN BUTLER AND SAMUEL SENOREN IN MANILA

THE RULING coalition of Mrs Corazon Aquino, the Philippine President, splintered further apart yesterday when Mr Salvador Laurel, the Vice-President, announced that he would field his own candidates in national elections expected to be held in May.

The announcement marks the dissolution of a coalition between Mr Laurel's conservative Unido Party and the PDP-Laban, a left of centre group that had originally nominated Mrs Aquino for the presidency. Mr Laurel's concession last December to remove himself as a candidate for the presidency, and to run for the vice-presidency, made it possible for the opposition to mount a strong challenge against Mr Ferdinand Marcos, the deposed president.

Mr Salvador Laurel

Mr Laurel's decision indicates the next elections are likely to be fought out on ideological grounds, and there is speculation that Mr Laurel may join in a broader conservative coalition, possibly with Mr Juan Ponce Enrile, the outspoken Defence Minister, who is widely believed to have presidential ambitions.

Mr Laurel's announcement came as a draft constitution was formally presented to Mrs Aquino by a commission which she had appointed nearly five months ago. Mr Laurel was visibly upset by Mrs Aquino's failure to invite him to the ceremonies in the presidential palace.

Mr Laurel said he would campaign for ratification of constitution, although he questioned certain provisions of the draft. If the draft is approved in a plebiscite in January, Mr Laurel said he would submit himself to new elections.

The constitution has been widely criticised for provisions which confirm Mrs Aquino's presidency for six more years rather than calling for new elections, and the plebiscite is seen as a referendum on Mrs Aquino as much as a vote for approval of the constitution.

A broad range of groups across the political spectrum has vowed to campaign against the constitution and passage is by no means assured. Popular rejection of the draft would provoke a serious political crisis, although Mrs Aquino's advisers have said she would continue to govern under the so-called Freedom Constitution which she wrote in March.

Mr Laurel said he was now acting as liaison between Mrs Aquino and Mr Enrile, although he refused to elaborate. Mr Enrile has sharply criticised the Aquino Government for what he said is an ineffective policy against communist insurgents. Mr Enrile has also suggested that Mrs Aquino lacks legitimacy because of the manner in which she came to power and that she should stand for elections again.

Moscow concession to China

BY ROBERT THOMSON IN PEKING

THE SOVIET Union has made a big concession in its attempts to improve relations with China by agreeing for the first time to discuss the Vietnamese occupation of Kampuchea with Chinese officials.

China has made clear that the Vietnamese presence is the biggest obstacle in the path of better Sino-Soviet relations. Until now, Moscow has maintained that the matter involves a third country and is therefore non-negotiable.

On leaving Peking yesterday after the ninth round of Sino-Soviet "normalisation" talks, Mr E. A. Rogachev, the Soviet vice-foreign minister, said that Kampuchea had been discussed and that it would be "impossible" to solve the problem in just one round of talks.

However, Qian Qichen, the Chinese vice-foreign minister, said that while the Soviet Union had agreed to discuss Kampuchea, China "hasn't seen any substantial change in their position" on the Vietnamese occupation.

The Chinese leader, Deng Xiaoping, said recently he would be prepared to meet the Soviet leader, Mr Mikhail Gorbachev, if Moscow encouraged Vietnam out of Kampuchea. Peking believes that without continuing Soviet support, Vietnam would have to withdraw, and there has been speculation, as yet unconfirmed, that Moscow has already put pressure on Hanoi.

Likud presses for Shamir as Premier

MINISTERS from the right-wing Likud bloc asked the President yesterday to appoint Mr Yitzhak Shamir as Prime Minister in spite of disputes blocking a planned job swap with Mr Shimon Peres, the caretaker Premier, AP reports from Jerusalem.

Mr Peres' left-leaning Labour Party said the Likud visit to the President, Mr Chaim Herzog, violated a coalition accord between the two parties which called for both Labour and Likud representatives to make a joint recommendation on Mr Peres' successor. Labour has refused to make the recommendation yet because of disputes over political appointees.

Singapore curbs Time

Singapore yesterday accused Time Magazine of meddling in local politics and said its circulation would be restricted to 2,000 copies a week next year, Reuter reports from Singapore.

Victor Mallet on an African experiment which may show the way

Eyes on Zambia currency auction

WHEN THE Zambian president Mr Kenneth Kaunda announced a year ago that scarce foreign exchange would be auctioned as part of a package of economic reforms backed by the International Monetary Fund, he issued a warning. "After taking such medicine a patient may feel nausea. He may even vomit," Dr Kaunda said.

Zambians have certainly suffered as a result of the measures. Soaring prices followed the devaluation of their currency, the kwacha, and the cure is by no means complete. Its success or failure is being seen as a guide to the future of similar systems in Nigeria and Ghana.

The auction, funded about two thirds by various Western donors and one third by Zambian copper money, has eased the flow of vital imports to industry and made access to foreign exchange more equitable, with the distribution now of some $9m a week.

But, mindful of the harsh effects of austerity on ordinary Zambians, the Government has used a variety of tactics to support the kwacha artificially and keep it at a politically acceptable level.

"Clearly the Fund and the World Bank have not been happy with the way the auction is being run," says one Western Diplomat. "The Government has taken some very brave decisions, but they have got to sort out the foreign exchange management side and the donors have got to stand behind them for the next three to five years. If the Zambians were even 75 per cent toeing the line I think the donors would be as accommodating as they possibly could be."

Major IMF complaints are said to include the up to $70m arrears owed to the Fund and a failure to meet targets for controlling monetary growth and the budget deficit, which has now reached as much as 20 per cent of gross domestic product.

Unlike Nigeria and Ghana, which have devised two-tier foreign exchange systems allowing a more favourable rate for items such as Government debt-service payments, Zambia is content with a uniform exchange rate set each week for all transactions. Official purchases of foreign exchange do not pass through the auction however.

Since the auctioning began in October last year, the value of the kwacha has fluctuated between about five and eight to the dollar, down sharply from the pre-auction official rate of 2.2 to the dollar. Now it stands at about eight, stronger than the black market rate of 10 to the dollar but still apparently weaker than the Government wants.

In April Dr Kaunda reshuffled the government, removing from their financial posts the chief architects of the auction and the deal with the IMF, including Mr Luke Mwananshiku, the respected Finance Minister. The reshuffle, apparently to appease political opponents of the new economic policies, alarmed Western donors, although Dr Kaunda took pains to emphasise that he remained committed to the reforms.

A series of changes to the auction, including the introduction of new documentation rules and the publishing of bidders' names and requirements in an effort to embarrass high bidders and importers of luxury goods, failed to boost the kwacha.

More recently the Government has switched to the so-called Dutch system—disliked by the IMF because it creates multiple exchange rates—whereby the buyer of foreign exchange at auction pays what he bids instead of paying at the universal striking rate. The kwacha remains weak, however.

Businessmen, some already worried by imports of competitive finished goods under the auction, are now accusing the Government of attempting to bolster the kwacha by putting funds into the auction which it does not have available, causing a three- to four-week delay in settlements involving around $40m.

Mr Kaunda: "patient may vomit"

Mr Michael Mwape, general manager of the Bank of Zambia (central bank) blames the delays on the slow disbursement of donor funds and attempts by the authorities to break the back of demand by increasing the amounts on offer.

"Following the introduction of the auction, trade has been liberalised," he said. "Import licences are no longer an instrument of control . . . it's working fairly well. What we need is more funds." More than $300m has been sold through the auctions, he says.

Inevitably much of the money goes to South Africa, a source of cheap, if politically unsatisfactory, imports. The sight of South African canned beer on the supermarket shelves has angered some Zambians and strengthened the hand of those opposing the auction system and the IMF cure.

Some non-traditional industries and exports have responded well to the improved flow of inputs and the incentive of a lower exchange rate, but they remain a tiny proportion of exports as a whole. Officials are predicting real economic growth of about only about 2 per cent this year, compared with a target of 3.5 per cent and last year's 3.4 per cent.

Copper output, accounting for 90 per cent of Zambia's foreign exchange, is expected to increase from last year's low of 479,000 tonnes as a rehabilitation programme at state-owned Zambia consolidated copper mines gathers momentum. Prices, however, remain depressed — the main cause of the country's troubles.

Agriculture is doing better and farming is the official hope for Zambia in the 21st century. Helped by rain and the loosening of government price controls, a bumper maize crop expected to be more than 1m tonnes has been harvested this year, although collection for storage is being hampered by transport problems.

At the start of the year Zambia's total external debt stood at $4.6bn and arrears at $581m. Since then, new IMF facilities have been agreed and a generous rescheduling arranged with bilateral creditors of the Paris Club group of industrialised nations.

Zambia has rapidly fallen into arrears again with the IMF. It is having difficulty paying the Paris Club and still owes money to the banks in a revolving credit facility for oil imports.

The Bank of Zambia says medium and long-term debt service in 1985 represented about 46 per cent of total export earnings.

"There is a limit to what a country can do to comply with the IMF," says one senior commercial banker. "What Zambia needs now is long-term funds on favourable terms."

WORLD TRADE NEWS

Japanese deny US tied aid charges

By Ian Rodger in Tokyo

JAPAN has denied US charges that it has blocked an emerging consensus on reform of the system of tied aid credits to support exports to developing countries.

US officials suggested that Japan had blocked progress toward reform at a meeting last week in Paris.

A senior Ministry of International Trade and Industry (Miti) official said yesterday that Japan was not blocking the negotiations at all, and it was "unfair" of the US to make such a claim.

"We have been negotiating for a long time and we will continue. Unfortunately, no compromise was reached last week but there was a positive step forward."

He said it was wrong to single out Japan. There were also clear differences between the US and the EEC.

The three sides still had differing positions on the main issues involved.

● The US wanted to raise the minimum government grant element in any aid-credit package from the current 25 per cent to 40 or 50 per cent. Japan was "very co-operative with that idea," but the US and the EEC were "far apart."

● The US and the EEC wanted to remove the fixed interest rate of 10 per cent on these packages, claiming that this has enabled countries, such as Japan, with low domestic interest rates, to be more generous in the grant element of their packages.

The Miti official said that the problem had to be looked at from the point of view of the recipient countries. If interest on tied aid was charged at the market rate, then these countries would tend to be more interested in interest rates than in other factors in the package.

Japan was not totally opposed to abolishing the fixed interest rate, but Miti argued that, if it were abolished, then the fixed component in the interest rates on export credits should also be removed.

At the moment, this enabled countries with high interest rates to subsidise their export credit rate, Miti said the EEC remained opposed to applying market interest rates to export credits.

Japanese officials would be "doing our best" to find a compromise

Diana Smith in Lisbon reports on British efforts to redress a trade imbalance

Portugal reaps benefits of an old alliance

WHEN the Prince and Princess of Wales visit Portugal next February ot commemorete the marriage in 1387 of the King of Portugal to a British Queen, their trip will also have a practical significance.

For although the two countries have had close ties for 600 years, the commercial benefits have been going Portugal's way for some time. The royal visit is part of a British drive to redress that balance.

From January to July this year Portugal exported goods worth £446m to the UK. British exports to Portugal, consisting largely of oil and liquid gas, motor vehicles and components, iron and steel and machinery, lagged £176m behind at £270m. If the pace holds, Portugal will end 1986 with record exports to the UK, heating its 1985 peak of £695m.

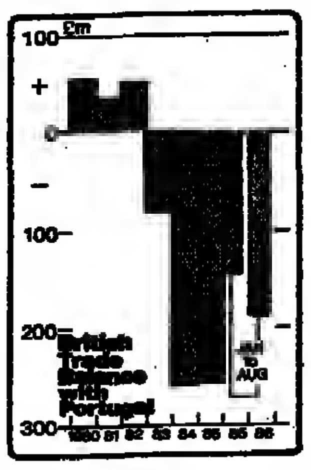
In the 14th century British wool cloth and Portuguese Malmsey (Madeira) wine dominated bilateral trade. Portugal's export success today centres on yarns, textiles and clothing, cork, wood and pulp, chemicals and increasingly, small machinery and equipment.

The persistent British deficit with Portugal—£259m in both 1985 and 1984, £200m in 1983, contrasts with the growing surplus enjoyed by Spain. Trade relations between the two Iberian nations were tenuous for centuries but Spain has energetically seized opportunities in a developing market from the late 1970s.

From January to August this year Spain ran a surplus of £225m with Portugal. Spanish factories and branches of multinational manufacturers in Spain are taking advantage of the two countries' accession to the European Community to boost exports to the Portuguese market.

The latest major enterprise to begin moving heavy volume across the border is America's Scott Paper, exporting from its Spanish plant to a nation that uses less toilet paper per capita than any other country in Europe.

There are two main reasons



for the slowness of many British exporters to follow Spain's example and take advantage of the declining tariff and non-tariff barriers after EEC entry.

First, a misconception exists that the old alliance leads Portuguese importers to give sentimental preference to British goods, with little need for the UK to sell. This has proved to be a fallacy but the idea persists.

Second, on a recent visit to Lisbon, Mr Alan Clark, the UK Trade Minister, indicated that many manufacturers had not yet realised that although Portugal is a modest market at present, it is enjoying growth in per capita income and living standards.

The attitude of British investors has been different. Companies like Wiggins-Teape, Rio Tinto-Zinc, Lloyds and Barclays Banks, Reckitt and Colman, Berger Paints, the Beecham group, British Petroleum, Shell, Unilever and ICI have increased and diversified their Portuguese operations, ploughing profits into new activities

Unilever, in fierce competition with the Swiss company Nestle, now manufacturers a growing line of frozen foods and luxury icecreams. These are novelties in Portugal and volume is soaring annually.

British investment of $300m accounts for 40 per cent of total foreign investment in Portugal, thanks to heavy recent input by Wiggins-Teape, RTZ and Barclays, and growing property investment in the Algarve.

These investors braved suffocating bureaucracy before their projects got going, but this is now shrinking with EEC accession. Spain has also now become active in this area.

For decades there have been visits organised by chambers of Commerce with the conscientious support of British diplomats and Board of Trade officials, but the aftermath has often been modest. The hope is that the visit of the Prince and Princess of Wales to the Oporto trade fair will reverse that direction.

A new generation has proved that when manufacturers promote them properly many British goods can succeed in Portugal. But 600-year-old attitudes will no longer work with an ally wooed by Spanish, US, Japanese, French, German and Italian manufacturers

Tougher US action urged to curb steel imports

BY NANCY DUNNE IN WASHINGTON

PRESIDENT Ronald Reagan's scheme to limit finished foreign steel import penetration of the US market to 18.5 per cent has come under fire in a report issued by the House government operations committee.

Although the steel programme has reduced the surge of imports into the US, it has not done so sufficiently to eliminate the threat to the existence of the domestic industry, the report says.

Although most of the voluntary restraint agreements negotiated under the programme are being observed, the EEC is exceeding its finished product market share by nearly 7 per cent, Brazil by 16 per cent, South Africa by 24 per cent and South Korea by 10 per cent, the report says.

Countries not party to the agreements have increased their exports and captured more than 5 per cent of the US market, up from 3.9 per cent.

According to the committee, steel imports as a percentage of the US market have fallen from a 1984 peak of 26.4 per cent to 22.7 per cent in June 1986. However, the levels are still above the 20.2 per cent established by congressional legislation for the five years of the President's programme.

Exceeding the goals of the programme, according to one estimate, has cost the US steel industry about $1.1bn and about 8,000 jobs.

The committee said the programme was flawed because it was not comprehensive, and many countries had been switching to higher value products.

The report recommends that the US trade representative immediately enter into negotiations with Canada, Sweden, Argentina and Taiwan for voluntary agreements. Congress should order a 100 per cent "buy American" requirement on all government procurement involving steel mill products.

It calls for more comprehensive coverage, stricter watch on product mix shifting and new legislation extending the programme from January 1 1987, for five years, made on the condition that the industry continues to reinvest and modernise.

Australia in moves to boost defence industry

By Richard Hubbard in Canberra

THE AUSTRALIAN Government has announced a package of measures to boost the domestic defence manufacturing industry and increase armaments exports.

Mr Kim Beazley, Defence Minister, said the measures were aimed at commercialising Australian defence research and increasing the ability of local companies to win contracts.

The armed forces will in future be allowed to provide technical and marketing assistance to Australian companies trying to sell defence equipment overseas.

Defence personnel will be available to provide technical and trial support to intending Australian exporters.

The moves follow the recent launch by the federal government of a national export drive to help overcome the country's deteriorating trade position.

The export procedure changes are expected to boost the prospects for sales in the Asia-Pacific region of the minehunter catamaran and the Pacific patrol boat.

Cable and Wireless signs Yangtse delta agreement

BY DAVID THOMAS

CABLE and Wireless, the UK telecommunications group, and the Chinese Government yesterday. Government yesterday signed an agreement for the modernisation of telecommunications in 27 cities and towns in the Yangtse delta region of China, which includes Shanghai.

The agreement, signed by Mr Wu Jichuan, Vice Minister of Posts and Telecommunications, and Sir Eric Sharp, chairman of Cable and Wireless, covers the first phase of the modernisation of telecommunications in the Yangtse delta region to be completed in two years time.

The total cost of the project is expected to be between $15m and $20m, including a 1,000 Km long microwave transmission system and five long-distance exchanges.

The company and the Chinese Government have also agreed to carry out a feasibility study to identify what projects should be included in the next phase. A similar feasibility study preceded the first phase.

Trade deficit for France

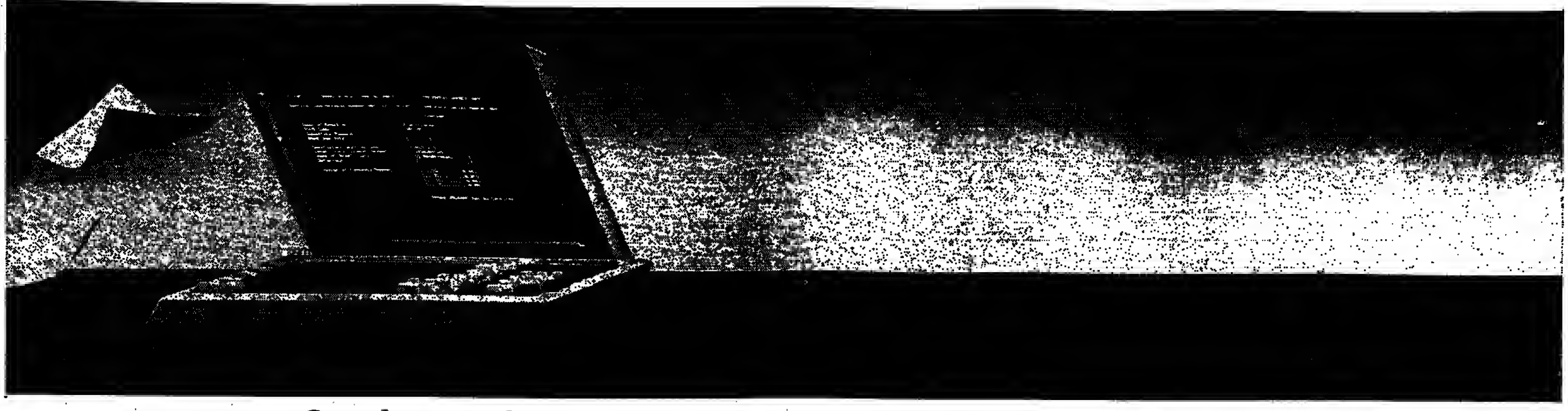
BY DAVID HOUSEGO IN PARIS

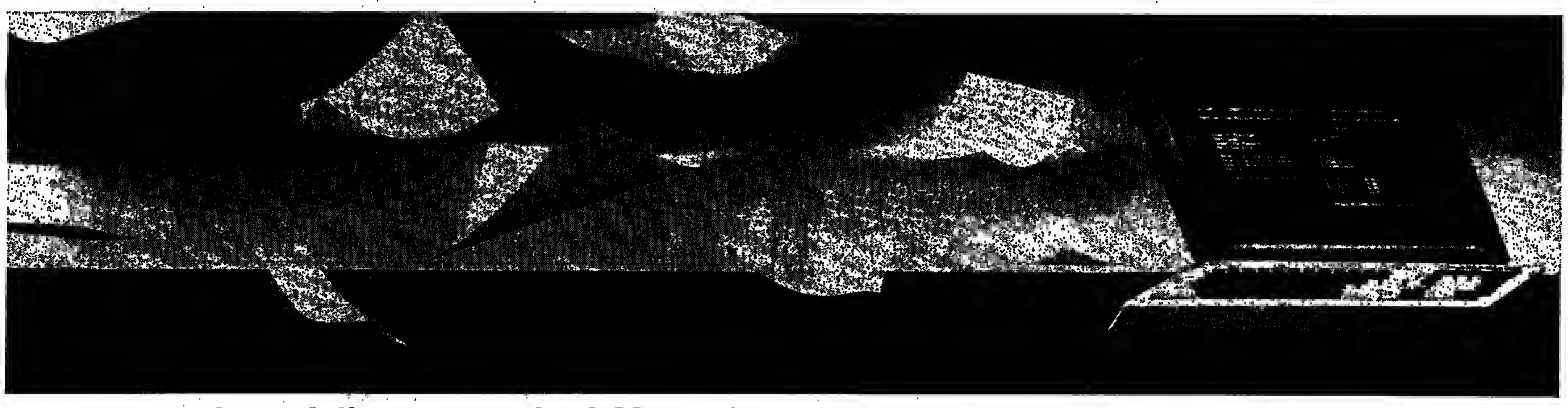
THE FRENCH trade account slipped back into deficit last month underlining the Government's fears about the continuing loss of competitiveness of French industry.

On a seasonally adjusted basis France recorded a FFr 2.9bn ($448m) deficit last month, after a FFr 3.2bn surplus in August. The cumulative deficit for the first nine months of the year was FFr 1.8bn.

The poor trade figures come in the wake of equally poor inflation figures for the month, with the consumer price index rising by 0.4 per cent, due to increases in tariffs and food prices.

Exports in nominal terms rose last month by only 1.7 per cent to FFr 73.2bn, while imports rose sharply by 10.7 per cent to FFr 76.1bn.





HATTERSLEY EXPLAINS PARTY'S CHANGE OF EMPHASIS

Labour spells out EMS terms

BY JOHN HUNT

THE CONDITIONS under which a future Labour government would consider joining the exchange rate mechanism of the European Monetary System (EMS) were spelt out yesterday by Mr Roy Hattersley, Labour's Treasury spokesman.

His speech, although cautious, marks a significant change in emphasis in party policy, which until now has been hostile towards full EMS membership.

It coincided with demands yesterday from Dr David Owen, the Social Democrat leader, and Mr David Penhaligon, the Liberal Treasury spokesman, that Britain should join because of the recent fall in the pound. Speaking to a trades union audience in Manchester, Mr Hattersley said: "We would only negotiate EMS membership at a time when there is no exchange rate crisis and no threat of an exchange rate crisis.

"The EMS is not a bolthole. Britain ought to join when, and only when, we can be certain that membership contributes to the central aims of our national policy." He emphasised that even then the significance of membership should not be overstated.

First, entry had to be at a sustainable exchange rate that encouraged UK exports and took account of deterioration in the balance of payments. Second, policy had to be coordinated between member countries in a mutual determination to reduce unemployment and promote expansion. The stronger countries would have to accept some of the burdens of adjustment when imbalances occurred.

Third, more use should be made of the pooled currency reserves within the EMS and less of competitive increases in interest rates to defend currencies.

"To enter on any other terms would be to sacrifice our essential interests," said Mr Hattersley. "It would be to abdicate responsibility for the management of the British economy and pass decisions which affect our investment, output and employment to the German Bundesbank."

What was needed was an international agreement to promote economic expansion and Labour was now discussing with the German SDP, its socialist counterpart, how this could be achieved.

Mr Hattersley said that the latest UK increase in interest rates was the result of a sterling crisis for which the Government was responsible. He felt the Government might yet turn, in desperation, to membership of the EMS exchange rate mechanism as a solution.

Dr Owen said the foreign exchange markets had lost faith in the Chancellor. Mrs Thatcher and Mr Lawson were sacrificing the long-term health of the British economy for a short-lived pre-election consumer boom financed by an explosion in consumer credit.

Full entry into the EMS was not a soft option but would be a clear signal to the foreign exchange markets that Britain intended to pursue a monetary policy to support the pound, keep inflation down and restrict consumer credit.

For the Liberals, Mr Penhaligon, in a letter to the Chancellor, called on him to reveal the full cost of propping up the pound in recent days. He urged Mr Lawson to reconsider his refusal to join the EMS.

Technologists urged to be more creative

BY ALAN CANE

TECHNOLOGY has become vital to the development of financial products and services, but there is no longer an unquestioning belief that investment in new technology will automatically confer competitive advantage.

This theme, a marked contrast to the enthusiasm of earlier years, ran through the first day of a Financial Times conference – Electronic financial services: the key to competitive advantage – which opened in London yesterday.

Mr Peter Bellows of Citibank warned that most electronic banking initiatives had been led by the technologists: "We will have to be more creative, better attuned to what people need, and what they are willing to pay for," he said. He did not believe the banks had done a good job in costing their systems.

He saw further danger in governments stepping in to rationalise the mass of incompatible electronic services, so taking control out of the hands of the banks and creating financial services utilities.

There was a role for government, however, in creating public awareness of electronically delivered services. The French Government's distribution of free Minitels (miniature computer terminals) was the best example.

Mr Adair Turner of McKinsey & Company argued that the biggest benefits would go to firms who could go beyond piece-by-piece automation to the creation of truly integrated processing, information and decision support systems: "the challenge is to discover alternative means of differentiation."

Mr Malcolm Hughes, general manager, marketing, for the Prudential Life Assurance Company, emphasised the importance of controlling the customer base: "Greater control of the customer base gives greater cross-linking, the ability to sell additional services to our customers. The more effective this is, the more effective we are in palisading the customer with our services, thus preventing the entry of competitive manufacturers' products."

Mr Michael Bliss, chief executive of Fraser Financial Services, argued that while the movement of retailers into financial services was so far chiefly a vast series of experiments, inevitably retailers would become more involved with the marketing of financial products.

Technology on its own could not provide companies with a unique marketing edge, Mr Bill Murphy, managing director of Western Trust & Savings told the conference. "It is what technology allows you to do that will give you an edge in the market," he said. There were two basic approaches to technological investment. The first involved buying a package to which could be added special features which could perhaps be licensed back to the package supplier.

FINANCIAL TIMES CONFERENCE

Electronic Financial Services

The second was to build a special solution but to plan to recoup the investment by selling it on to other institutions.

Mr Trevor Nicholas, general manager, Barclays Bank, emphasised the scale of costs involved in electronic banking.

There were four ways of paying for the investment, he said – it could never be covered by staff savings. They were to charge higher fees for services, to increase market share in competition with other banks and financial services companies, diversify into new areas or accept lower profitability.

Barclays, he said, was investigating every option but the last.

Mr Lino Menchella, a senior manager in Ipacri, the Institute for Italian Savings Banks' Automation, described the development of a new service, Carifast.

Developed in collaboration with the computer manufacturer Olivetti, it was a robot cashier which made it possible for the customer to pay standard bills, request cheque books and bank drafts, order bonds and securities, set up standing orders, write letters to the bank and draw cash of check deposits.

Mr Patrick Mill, vice president, financial systems, for NCR the computer manufacturer, said there were 180,000 automated teller machines (ATMs) installed worldwide and the number was rising. Typically a machine achieved 30,000 transactions between failures.

He thought the customer would see only gradual changes in the design of ATMs and other self-service terminals in the future, the most important of which would be the adoption of interactive video.

M Jean Francois de la Court, member of the board of the Banque Bruxelles Lambert described the steps taken to make compatible Belgium's two ATM and point-of-sale networks, Bancontact and Mister Cash.

By the end of 1986, 3m card holders would be able to use the existing 2,000 point-of-sale terminals.

But he said the chief impediment to the rapid development of electronic banking in Belgium remained the monopolistic attitude of the national telecommunications authority.

UK steel users tell Government to back EEC quota reform

BY NICK GARNETT

STEEL USERS in the UK have told the British Government that it should accept proposals made by the European Commission for the further relaxation of internal delivery and production quotas within the EEC.

A submission by the British Iron and Steel Consumers' Council says quotas protect the profit margins of producers but hurt the competitiveness of steel users by keeping prices artificially high.

It has been sent to Mr Giles Shaw, Minister of State at the Department of Trade and Industry, and will preside over the Council of Ministers meeting on October 20, which will examine the proposals.

Quotas at the moment place a ceiling on how much steel of different types can be moved around Europe. The producers club together to decide which companies can sell what volumes to each individual market.

The Commission proposed last year that quotas should be phased out by December 1987. Quotas have already been relaxed for some coated sheet and reinforcing bar.

The latest Commission proposals are for further relaxation of quotas for galvanised steel, wire rod, merchant bar and the lighter end of the range of sections.

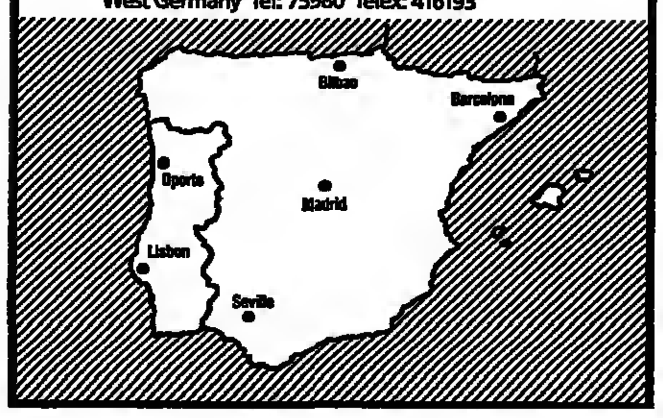
This would still leave quotas on hot-rolled coil and on cold-reduced sheet, plate and heavier sections, with these quotas due to disappear under the Commission's plan at the end of next year.

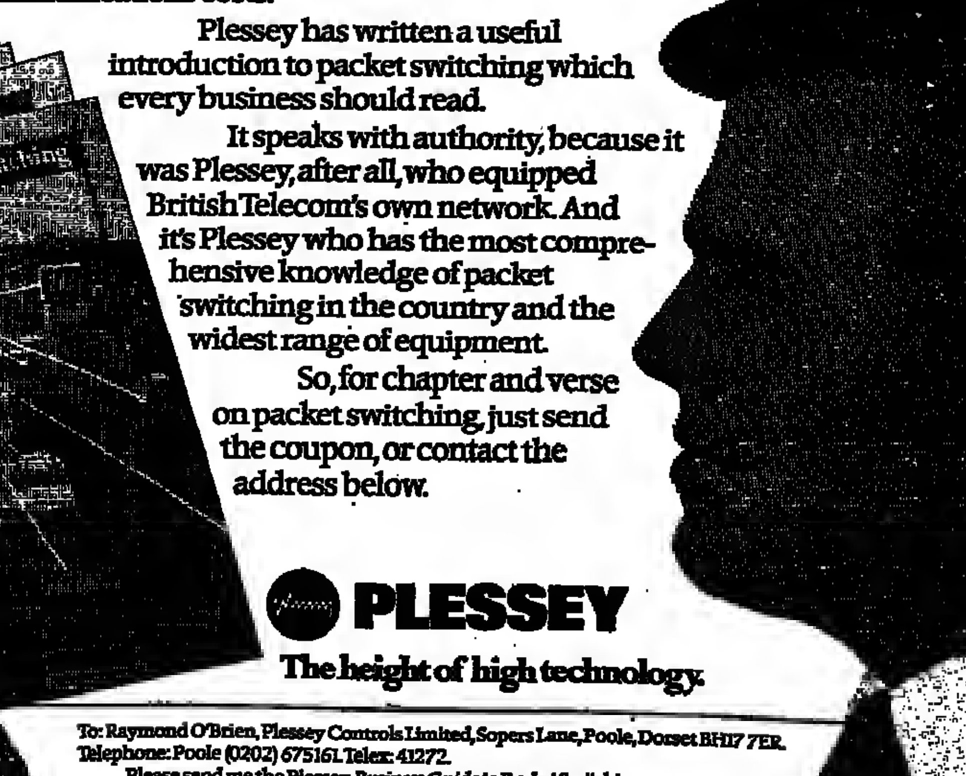
The consumers' council, which claims that UK steel users produce 10 times the volume of exports of steel producers, says that the dangers of further liberalisation are exaggerated.

"For all the products which the Commission proposes to free from quotas, either there is no longer significant excess capacity or the dominance of unsubsidised producers, many of them small and highly competitive, makes it appropriate now to expose them fully to market forces."

There appears to be considerable belief among UK steel users, however, that only some products in the Commission's proposals – galvanised sheet and wire rod – will have their quotas relaxed.

The French, West German and Italian governments, in particular, have been hostile to rapid relaxation, as have most of the larger European steel producers.





UK NEWS

Managers set to buy Emhart's machinery unit

BY NICK GARNETT

EMHART, the US diversified industrial group has agreed in principle to sell for $115m its worldwide shoemaking machinery business to a British-based management consortium.

The machinery manufacturing operation, which is claimed to be the biggest in the world, includes production sites in the US, West Germany, Brazil and Taiwan but its biggest manufacturing plant is in Leicester, in the East Midlands, where 700 of the operation's 2,300 workforce are employed.

Shoe machinery accounts for 40 per cent of the Connecticut-based Emhart's footwear group. The rest comes from footwear materials. The footwear group had a total turnover of $291m last year and $158m in the first half of this year, with operating profits up by half.

The management buy-out team includes Mr John Foster, general manager of the shoemaking division in the UK and Mr Neville Burton, its production director. A group of lenders led by the UK arm of Bankers Trust, the US bank is providing the finance. The deal is expected to be completed next year.

The shoe machinery industry is fiercely competitive with established suppliers in Europe and the US and newer low cost competitors from the Far East.

Emhart claims that its shoe machinery operations, based on the former United Shoe Machinery company, which it purchased in the US in 1976 for $128m and which then included the Leicester site, is one of the few companies which produces a full range of shoemaking equipment. The Leicester site makes 14 machinery types.

The sale of the shoe machinery business will mark a further stage in the long-term restructuring strategy of Emhart which had a turnover of $1.75bn last year and whose brand products include Bostik adhesive.

The group has been steadily expanding its electronics and consumer product interests especially in the UK while pulling away from its roots in engineered capital goods, although it still has a large glass-making machinery business.

This structural change appears to have accelerated with the appointment of Mr Peter Scott, the former number two at United Technologies to the post of chief executive and chairman of Emhart in December last year.

SURVEY POINTS TO CONTINUING CONSUMER BOOM

Retail growth at two-year high

BY JANET BUSH

RETAIL SALES are showing their fastest growth for more than two years and there are no signs that consumer demand is about to peter out, according to the Confederation of British Industry (CBI).

Introducing the results of the latest Financial Times and CBI survey of retailers, wholesalers and motor traders, Mr John Salisse, chairman of the survey panel, said: "Retailers' expectations in August of even better sales in September have been confirmed by our survey.

"The month's results show the best increases in retail sales volumes since July 1984 and retailers expect sales to continue growing at this rate in October."

The survey was carried out between September 19 and October 8 and summarises the experience of 631 respondents.

Grocers, specialist food stores and clothing shops reported the best sales growth in the retail sector and were the most optimistic about sales in October. Confectionery, tobacco and newspaper shops once again reported sales growing more slowly than the average for retailing.

Small, independent shops are continuing to find the going tough against bigger traders and the large multiples. About 75 per cent of retailers reported higher sales volumes in September against 9 per cent reporting lower volumes. This gives a balance of plus 66 per cent, the highest since July, 1984.

A balance of plus 67 per cent of retailers expected higher sales in October and replies to the survey's question on sales volume for the time of year also point to faster growth.

A balance of plus 41 per cent of respondents placed more orders than a year ago in September and a balance of plus 47 per cent expected orders to increase in October as well.

Retailers are profiting from the boom in consumer spending which is being fuelled by positive real wage growth, as pay settlements respond only slowly to lower inflation, and the general availability of credit.

The Department of Trade and Industry's (DTI) index of retail sales volume rose 1.4 per cent in August to a new record level, more than reversing the 1.2 per cent fall reported in July.

DTI provisional retail sales figures for September will be released on Monday, October 20, and are expected to confirm the buoyant current trend.

Of the 631 respondents to the FT/CBI survey, 65 per cent reported sales up in September against 16 per cent who reported lower volume. This gives a balance of plus 49 per cent, the highest since December, 1985.

The same balance expects increased sales in October with retailers continuing to be more positive than wholesalers and motor traders.

Orders placed by distributors as a whole were above expectations in September and further growth is expected in October. Stocks remained too high in relation to expected sales in September, but the balance of distributors reporting excessive stocks fell to the lowest level for seven months, the survey shows. Wholesalers' sales volumes rose much faster in September than had been expected in August.

Building society plans share deal service

BY HUGO DIXON

NATIONAL & PROVINCIAL Building Society (N&P) is to offer a share buying and selling service in its branches from next year. Business will be channelled through Allied Provincial Securities, the stockbroker formed earlier this year by a merger of eight regional firms, and N&P will take a slice of the commission.

As a first stage, there will be a pilot no-frills attached execution service operating in 12 branches in the north of England. After detailed evaluation and training of N&P staff, the service will be expanded to cover most of the society's 336 branches around the country. The branches will also start to stock research material.

As a final stage, planned for 1988, there will be video screens in branches which will display share prices and through which investors will be able to execute transactions instantly. They will also be able to buy personal equity plans, with monthly payments being transferred directly from their accounts with N&P.

Allied Provincial will not, however, be putting its own staff into N&P branches, so investors wanting detailed advice will still have to go to one of Allied's 27 offices around the country.

Arms group fails to excite buyers for the whole company

BY LYNTON McLAIN

N. M. ROTHSCHILD, the merchant bank advising the Government on the sale of Royal Ordnance, the state munitions maker, has sent the memorandum for the sale of the company to several large UK manufacturing companies, but few have so far showed much interest in buying the company as a whole.

Companies which requested the prospectus include ICI, British Aerospace, GKN, Trafalgar House, Thorn EMI and Vickers.

The potential buyers have until the and of this month to confirm their interest and until the and of November to submit detailed proposals for a purchase. Visits to Royal Ordnance factories will follow in Decemer and the Government and Rothschild are aiming for completion of the sale by January.

Most of the companies sent the prospectus said the timetable was unrealistic.

The merchant bank is under pressure from the Government to find a single buyer for the parts of Royal Ordnance which remain following the sale of its main battle tank factory at Leeds to Vickers for an initial £11.2m two weeks ago.

Before the sale of the Leeds factory, brokers put a value of about £200m on the net assets of Royal Ordnance. Several of the companies examining the memorandum have liquid cash resources to cover a purchase, but most appear to be more interested in finding information about RO for their own commercial purposes.

Almost all the companies known to have requested the memorandum for sale have some activities in common with Royal Ordnance.

ICI, for instance, has an agreement with Royal Ordnance to manage and operate its shell and bullet propellent factory at Powfoot, Dumfries, Scotland. The company wants to protect this management agreement and would be quite interested in buying some of the Royal Ordnance explosives factories – ICI owns its own explosives company.

BAe makes guided missiles, almost invariably fitted with rocket motors and warheads made by Royal Ordnance. The company is waiting for a full board meeting to make the final decision on a purchase.

Defence is one of GKN's more recently developed sectors, but the work is specialised and has a narrow base. Thorn EMI Electronics' defence systems division makes fuses for some Royal Ordnance munitions.

Visa system beats chaos at Heathrow

FINANCIAL TIMES REPORTER

THE NEW VISA system for immigrants from Asia had a virtually trouble-free start at Heathrow Airport, London, yesterday, in sharp contrast to the chaotic scenes of the previous day.

Within hours of the midnight deadline, the first Jumbo jets from the Indian sub-continent touched down and most passengers seemed to have their paperwork in order.

After touring Terminal Three and speaking to immigration staff, Home Office Minister Mr David Waddington said: "The case for visas is proved overwhelmingly by what has happened for the past few days."

Unlike Tuesday, when 4,000 would-be immigrants descended on the airport in a bid to beat the deadline, yesterday's arrivals were a typical cross-section of businessmen, holiday-makers and short-stay visitors.

From yesterday, visitors from India, Pakistan and Bangladesh must obtain a visa before travelling and airlines were generally refusing to allow people to board without one. Travellers from Nigeria and Ghana will be included in the visa system at a later date.

On one of the earliest flights yesterday, from Dhaka, all passengers had the correct documents and were allowed through without hold-ups.

Several hundred Bengalis were still detained for questioning as a result of Tuesday's influx. Up to 300 people, most of them young men from Bangladesh, spent the night on the airport floor and a further 300 were catered for at hotels after surrendering their passports.

Mr Waddington said: "Literally hundreds of people descended on England from Bangladesh. This system of clearance at the controls was devised to deal with an entirely different situation and not to cope with one where hundreds and hundreds of young men whose credentials for entry were, to say the least, very suspect, suddenly arrived in this country."

Kinnock chides Tebbit in Berlin Wall speech

MR NEIL KINNOCK, leader of Britain's opposition Labour Party, stood in the shadow of the Berlin Wall yesterday and chided Conservative Party chairman Mr Norman Tebbit, writes Leslie Colitt from Berlin.

Mr Tebbit had called on him to stand before the Wall and say whether he was "for socialism or for freedom." Mr Kinnock replied: "If he thinks socialism is in conflict with freedom, it demonstrates his own short-sightedness."

With East German border guards peering at him through binoculars from a watchtower, Mr Kinnock said the Wall was a basic test of Soviet credibility which would not be satisfied until it had been torn down.

Mr Kinnock began a visit to West Berlin and West Germany by affirming his party's commitment to defend the city and by meeting British troops there. He said the basic defence of West Berlin depended on conventional weapons and dismissed the need for a "nuclear threat" to avoid conflict, noting that West Berlin could not be defended by weapons which would "obliterate" Europe.

□ THE GOVERNMENT suffered a setback yesterday when the House of Lords voted by 110 to 86 to remove the immunity enjoyed by National Health Service (NHS) hospitals from prosecution under the Health and Safety at Work Act.

It had sought to quell public concern over reports that poor hygiene in NHS kitchens had led to outbreak of salmonella poisoning by introducing the National Health Service (Amendment) Bill, removing Crown immunity from hospital kitchens and catering departments.

Lord Ennals (Labour) moving the successful amendment from the Labour in removing immunity only from catering areas; it should apply across the NHS, he said.

□ GROUP Lotus's plant in which it intends to build a new sports car appears increasingly likely to be situated overseas. Canada and Austria have emerged as being among the locations under consideration, together with the Netherlands, the Irish Republic and Humberside in the UK.

The new facility will account for large proportion of a £55m, six-year investment programme been approved for Group Lotus, which includes representatives of Lotus's parent, General Motors of the US. Motor Show Reports, Page 12.

□ LEADERS of maritime unions recommended members in Sealink UK to end industrial action which halted services to the continent and Ireland for nearly two weeks. The 2,500 National Union of Seamen members employed by the ferry company are expected to vote for a return to work and services should be normal from tomorrow afternoon.

□ MINERS who took part in the year-long strike will not have to make up the pension payments they missed – a condition demanded by the National Union of Mineworkers for accepting a pay increase. The concession by British Coal is an attempt by new chairman Sir Robert Haslam to lay the ghost of the strike and restore amicable industrial relations.

□ DEFICITS of about £3.5m incurred by last summer's Commonwealth Games in Edinburgh will not be covered by the Government. Mrs Margaret Thatcher, the UK Prime Minister, has rejected a plea for aid from Mr Robert Maxwell, chairman of the company which managed the Games. The Government's decision makes it more likely that the company will be put into liquidation.

□ NORTHERN Ireland was hit by power cuts for the second successive day as electricity workers continued their industrial action over manning and safety. Settlement proposals are being put to the strikers after lengthy talks.

□ PARAMOUNT airways, a new airline to provide year-round charter services between Wales, the West of England and Mediterranean destinations is being set up to start operations next April.

□ ANGRY British dockers at Plymouth sent back two lorry-loads of French chickens in retaliation for the ambush recently of British truck drivers by French farmers.

□ DIRECTOR of development at Mr Rupert Murdoch's News International, Mr Brian Horton, has resigned. The company said he was leaving on friendly terms.

UK NEWS

Dunlop investment saves car wheels operation

By Arthur Smith, Midlands Correspondent

THE DUNLOP automotive division, a subsidiary of BTR, announced yesterday an investment programme worth nearly £6m which will ensure a future for Britain's last volume supplier of steel car wheels.

The investment, made possible by a Government contribution of around £1m under regional selective assistance, puts the seal on a profits turnround for e Coventry-based operation that looked set for closure with the loss of 650 jobs.

Dunlop said last night the spending to be phased over the next four years will give the company the most advanced facilities in the world. The new flexible manufacturing system will make it possible to switch from production of one type of wheel to another within an hour. The normal changeover among volume manufacturers can be 10 to 30 hours.

Dr David Speirs, managing director of the automotive division, said the facilities would offer the opportunity to break into new export markets. Overseas sales have increased from almost nothing four years ago to account for 15 per cent of the £22m a year turnover. New customers include General Motors' Opel subsidiary, in West Germany.

In the UK, Dunlop, from being almost exclusively dependent upon the old BL companies of Land Rover, Jaguar and Austin Rover, now supplies Vauxhall, Ford and Peugeot Talbot.

BTR has invested more than £1m in the Dunlop operation at Coventry over the past 12 months on computer design and control facilities that make it possible to cut the lead time from customer request to production from six months to eight weeks.

Mobil launches new diesel fuel

By Lucy Kellaway

A DIESEL fuel designed to make truck engines less prone to seizing up in cold weather was launched yesterday by Mobil.

Mobil claims that its Mobil Diesel Plus prevents the wax crystals which form in sub-zero temperatures from blocking the engine's fuel filter and thus causing the vehicle to stop.

The product is also supposed to cut fuel consumption and reduce pollution by keeping the engine cleaner.

Mobil's move to improve quality follows similar efforts made earlier this year by the other oil majors, which have included the introduction of low-leaded and unleaded petrol and special additives designed to improve performance.

Mobil Diesel Plus, the result of a £1m research programme, is created by changing the refining process and mixing the fuel with an additive.

Leyland Truck engine plant under review

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

LEYLAND TRUCKS is considering whether it should continue with its own engine development and production. This will be one of the critical areas to be covered in a new strategic plan being drawn up for the Rover group subsidiary, Mr George Simpson, new managing director of Leyland Trucks, said yesterday.

He admitted that it must be open to some doubt whether a company of Leyland's size – producing about 10,000 vehicles a year – could afford the investment required for its own engine operations.

He pointed out, however, that a truck manufacturer gained a great deal from having its own engine production – particularly from lucrative spare parts and replacement parts business.

The company employs 1,100 at its engine plant at Leyland, Lancashire. For some years it has used engines from outside suppliers for its low volume, heavyweight trucks. More recently Leyland has been buying the new Cummins engine, made in the Darlington factory, for use in its new, high-volume Roadrunner truck.

This has had a great impact on output of the 98-series engines which provide much of the Leyland factory's output. The Cummins engine will also shortly be used in the Leyland Freighter truck thus reducing demand for the 98-series even further.

Questioned during the run-up to the Birmingham Motor Show about prospects for the Albion axle plant in Glasgow, where a £9m investment programme was recently completed, Mr Simpson said it was an efficient and viable plant – but would do better if there was more demand for its products.

The proposed merger with Bedford, the General Motors subsidiary, would have provided some extra sales. Those merger proposals foundered earlier this year, and GM has decided as a result to stop production of its Bedford medium and heavy trucks at the Dunstable factory, north of London.

Mr Simpson said he expected Leyland to win a good share of the business given up by Bedford which sold about 5,000 trucks for a 10 per cent market share last year.

A start has been made with an order worth £20m – the biggest single truck order received by Leyland for some years – from Bunzl Transportation. Bunzl, which has a fleet of 1,300

Second shake-up in a month for Austin Rover marketing

BY OUR MOTOR INDUSTRY CORRESPONDENT

MR TREVOR TAYLOR, former sales and marketing director of Austin Rover, becomes responsible for international sales and the management of overseas companies in a further management shake-up announced by the state-owned cars group yesterday.

In what will be widely interpreted as demotion for Mr Taylor, he will report to Mr Chris Woodwark who became commercial director in the previous management shake-up instigated by the Rover group's new chairman and chief executive, Mr Graham Day, last month. Mr Woodwark took over all Mr Taylor's responsibilities.

Mr Taylor, 50, who has been 20 years with Austin Rover, steps into a position held for the past year by Mr Peter Johnson who, in the latest reshuffle, becomes responsible for UK sales – the job he gave up 12 months ago.

More sales and marketing management changes will take place within Austin Rover before the new organisation can settle into its final shape. Austin Rover claimed yesterday that the new structure and appointments would give a greater thrust to sales activities both at home and overseas and also shorten lines of communication.

It pointed out that Mr Taylor will be responsible for supervising Austin Rover's return to the North American market after a five-year gap to launch the new Rover Sterling, developed in co-operation with Honda of Japan. He would also build on the company's recent sales successes in continental Europe and Japan.

Mr Johnson's task was to strengthen the company's relationship with its dealer network.

Maserati to re-enter UK car market

BY JOHN GRIFFITHS

A NETWORK of 30 dealers is expected to be established by the end of next month for the relaunch of Maserati cars in the UK.

Maserati (UK), a recently-formed private British company, aims to 2 per cent of the UK luxury car market in its first year of operations.

The company said at the Motor Show that it expects to receive UK approval of the right-hand drive Maserati BiTurbo saloon, coupe and convertible range by the end of this month. However, cars are not expected to reach dealers' show rooms until mid-March.

Mr Mario Tozzi-Condivi, chairman of Maserati (Vic) has been associated with Maserati for 30 years. He ran a UK import agency for the cars some years ago. Managing director is Mr Richard Styer, former sales director of Yugo/Cars and the Colt car company.

The range soon to arrive will cost between £23,500 and £27,500 and is seen as direct competition to Jaguar, BMW, Mercedes and Porsche.

An import and pre-delivery inspection centre has been set up at Sheerness, Kent.

Daimler-Benz ready to absorb impact of rise in D-Mark

BY KENNETH GOODING

DAIMLER-BENZ, the Mercedes group of West Germany, will absorb most of the impact of the recent 25 per cent rise in the value of the D-Mark against the pound in order to protect its hard-won position in the UK heavy truck market, said Mr Hans-Jürgen Hinrichs, the board member for worldwide sales yesterday.

"We would be crazy to increase prices so much that we were in danger of destroying all we have built up in Britain during the past 10 years," he declared.

Mr Hinrichs pointed out that Daimler-Benz was used to coping with fluctuations in the value of the D-Mark. "It is a fact of life for us. You go through difficult periods. Sometimes you make more money. Sometimes you make less."

He made it clear during the run-up to the Birmingham Motor Show that Daimler-Benz believes it needs at least 10 per cent of the UK market for trucks over 3.5 tonnes gross weight in order to generate the volumes which will keep its current 57 strong dealer network viable.

Daimler-Benz truck sales in Britain have been growing at an annual rate of 10 per cent. Mr Hans Tauscher, managing director of Daimler-Benz's wholly owned import company, hinted that the rate of progress might not continue but the company would not let its share fall back.

Last year, the group overtook General Motors' Bedford subsidiary and moved into third place in UK heavy truck sales after Ford and Leyland. So far this year, Daimler-Benz's share is over 13 per cent.

The import company put up prices by an average of 5 per cent in August and Mr Tauscher said yesterday there were no plans to move them up again. Since the pound was weak against most other currencies Daimler-Benz competitors were also under pressure.

Friendly Berlin debut for new Rover 800

BY LESLIE COLITT IN BERLIN

THE NEW Rover 800 was introduced to potential German buyers at the West Berlin auto show this week after being given a most friendly write-up by the critical German motor press.

A Rover 825 Sterling is so prominently placed at the show that visitors can hardly pass without seeing it. Their reaction, when there is one, ranges from surprise that the car is British made to praise at the value. The car goes on sale in West Germany early next year at DM 49,000 (£17,500).

One middle-aged German said the new Rover offered far more standard equipment than any German car. The Honda connection appeared to clear up his doubts about quality, but he still wondered about resale value.

A Berliner in his 30s gazed possessively at the new car lauding its every detail to his wife. It turned out that he already belonged to the hardy band of Rover drivers in West Germany.

But a number of those who stopped to look at the car said they somehow felt they had seen it before. This strong resemblance to the present mainstream of car design is not denied by Austin Rover Deutschland. Rather, they inform visitors to the show of the (almost) unrivalled level of equipment in the Rover 825 Sterling.

Potential customers agree that leather seats are anything but customary in a car at that price. Mr Rolf Hinrichs, of Austin Rover Deutschland, said it has sold 75 per cent more cars this year than last when about 7,000 were registered in West Germany. Austin Rover cars have now clawed back to a 0.5 per cent share of the West German market after sinking to a low point of 0.3 per cent. But 30 per cent of the cars being sold are low value Minis which affects profitability.

Part of the improvement in sales is a result of the recent link-up with the Massa department store in the Frankfurt area which accounted for about 60 per cent of sales. It leases 80 per cent of the cars without charging a deposit.

More government work will go out to tender

BY JOHN HUNT

PRIVATISATION of Government services by putting them out to competitive tender is to be extended to all suitable activities in every government department, Mr John MacGregor, Chief Secretary to the Treasury, announced.

Stronger rules will oblige departments to show good reason why they are not considering various services for tender.

Targets will be set to review the value of a department's activities put out to tender each year. These will be reviewed by senior officials who will hold managers fully accountable for achieving them. The decision results from an inter-departmental review of tendering and contracting out just published.

Mr MacGregor said that competitive tendering in the six departments where it has so far been tried was saving the taxpayer £22m a year.

Nevertheless it is clear that one of the reasons the Government has decided to extend the scheme is that the original campaign was running out of steam.

The report says the programme has been hampered by negative attitudes, technical difficulties, lack of managerial skill and lack of motivation. Competition policy was still highly contentious and had met with much reluctance among managers.

Mr MacGregor said, however, that the campaign, with proposed legislation to make local authorities put more services out to tender, could save at least twice as much again.

So far, contracting out has been tried at the Ministry of Agriculture, Ministry of Defence, Department of Energy, Home Office, Department of Trade and Industry and the Property Services Agency.

According to the report, these scrutinies show "that contracting out is viable over a wide range of activities in government." It says the policy should be restated to place clear emphasis on value for money and should focus on running costs rather than manpower numbers, although numbers would be reduced in the process.

Greater public accountability is emphasised and departments should explain why they are not putting out to tender any service in which a contractor has expressed an interest. If they decide, after competition, to keep a service in house, they should explain the decision to the unsuccessful tenderer.

The report recommends a rolling review of possible areas for competitive tendering, with targets set for the proportion or value of activities to be tested each year.

The six departments were given a list of services for mandatory tendering: cleaning, laundry, catering, security and maintenance work.

But the report, commissioned by Mr MacGregor and Sir Robin Ibbs the Prime Minister's adviser on efficiency, says the list now limits rather than stimulates competition.

Using Private Enterprise in Government. HMSO £4.30.

BUSINESS LAW

Setback for US takeover defences

By Leo Herzel and Richard W. Shepro

OVER THE last 18 months, take-over defence in America has sustained several stunning legal defeats in the courts and with the Securities and Exchange Commission.

These defeats came only about a year after what had appeared to be a long-term shift in the balance of power toward the reluctant target company. In May 1985, the Delaware Supreme Court dumbfounded take-over lawyers by holding in *Unocal** that a self-tender offer that discriminated against a raider who was also a major stockholder of the target company was, under the circumstances, legal. Then in November 1985, the same court held in *Household*† that the highly controversial "poison pill" take-over defence was legal.

Now, quite suddenly, the SEC has banned discriminatory tender offers, the use of poison pills is again in question, and, to top it all, a federal court has ordered the board of a target company to sit down and negotiate with an unfriendly suitor.

The new SEC rules‡, announced on July 11 and now effective, eliminate most discriminatory tender offers in the US. They require that a bidder making a tender offer, including an issuer making a defensive tender for its own shares, must extend the offer to all holders of the securities being sought, and pay all those who tender the highest consideration paid in the tender offer.

Like many other good and bad innovations in US company and securities law, the pressure for these changes in SEC rules began with an aggressive and ingenious takeover defence. In the spring of 1985, Mr Boone Pickens's Mesa made a cash tender offer for Unocal. Unocal responded with a self-tender that excluded Mesa. Since Mesa already own approximately 14 per cent of the outstanding Unocal shares, the Unocal offer was intended to exact an involuntary subsidy from Mesa for the benefit of other Unocal stockholders. Mesa unsuccessfully sought relief in the courts.

Reversing the chancery court, the Delaware Supreme Court approved the self-tender on the grounds that the Unocal board's decision was made in good faith and was reasonable in the light of the threat posed by a grossly inadequate and coercive two-tier, front-end loaded tender offer by a person with a record of greenmailing.

The change in SEC rules eliminates the consequences of the Delaware Supreme Court's *Unocal* decision so far as discriminatory tender offers are concerned. But the *Unocal* case is still a key factor in US company law, justifying, for example, the most controversial takeover defence of all, the discriminatory form of poison pill.

Poison pills are the primary takeover defence of many large public companies. They are intricate securities (a type of warrant) issued by a company to make itself prohibitively expensive to acquire in an unfriendly (ie unnegotiated) takeover bid. They are adopted by boards of directors without stockholder approval.

In 1984 Crown Zelerbach, to fend off Sir James Goldsmith, gave poison pill rights to all stockholders as soon as anyone acquired 20 per cent of the company's shares. The rights were, as is customary, "out of the money" at first, but once a "raider" merged the target with his own company the rights "flipped over," i.e., the holders could purchase stock in the surviving company at half the market price.

The "flip-over" pill was designed against two-tier front-end loaded tender offers. But it left a strategic gap until a bidder proposed a merger. Sir James and his advisers quickly realised that one way around this pill was an all-cash offer for all shares followed by a waiting game as a majority stockholder.

To plug this strategic gap, various "improved" pills were developed. While the Delaware Supreme Court uneasily pondered the legality of the original pill through most of 1985, use of these improved pills spread.

Within a few months of the Delaware Supreme Court approving the original flip-over pill in November 1985, many more large public companies had adopted pills. Most of them included the flip-in refinement. (It is important to note, however, that the Deleware Supreme Court in *Household* found only the *adoption* of the pill to be a valid exercise of the directors' business judgment. The legal rules for *using* the pill are stil being worked out in the courts and new developments of this aspect can be expected soon.)

The economic heart of the flip-in idea is discrimination, that is, the rights are not exercisable by a large stockholder. The only judicial euthority for this extraordinary distinction is the *Unocal* case. If that case is an aberration, the flip-in has no legal support. Although the new SEC rules prohibiting discriminatory tender offers do not go beyond tender offers, they could undermine the confidence of courts in the *Unocal* decision as a justification for othar takeover defences.

To survive as an important force in American company law, Delaware and its Supreme Court heve to be close SEC watchers. As the SEC's reversal of the *Unocal* decision illustrates, when Delaware law is too far out of step with strongly-held SEC views, state law can quickly be supplanted by federal law.

Flip-in pills are already in trouble under state law. On August 5, in *Amalgamated Sugar Company v NL Industries, Inc*‖, a New York federal court, applying New Jersey law, issued a preliminary injunction against a pill, mainly on the ground that the discriminatory flip-in feature violated the New Jersey company statute. But the court also made the point that the flip-in pill was too effective—it "usurp[s] the stockholders' right to receive tender offers."

A more extreme flip-in pill was struck down three months earlier by the federal district court in Chicago in *Dynamics Corporation of America v CTS Corporation*§. That pill "flipped in" when the acquirer accumulated 15 per cent of the company. The case applied Delaware company law to an Indiana corporation since, the trial judge noted, the Indiana courts look to Delaware law on undecided matters of company law. The judge, however, did not say all flip-in pills were illegal. The target board, she found, had not been careful enough in exploring the neture of the threat to the target company. The Court of Appeals affirmed that decision a few hours after it heard the case. ¶Judge Richard Posner, of Chicago school fame, provided in his opinion an economist's general essay against the poison pill.

On July 24, in *Edelman v. Fruehauf Corporation*, a new threat to takeover defence appeared. A federal court, applying Michigan company law, prohibited e management leveraged buy-out that had been hastily put together to block a bid by New York investor Mr Asher Edelman. The court also took the hold and highly unusual step of ordering the target's board "to negotiate forthwith and in good faith with [Edelman] or any other potential offerors." The court of appeals quickly affirmed the decision.

Is takeover defence on the way to becoming obsolete? Despite these recent defeats, that is highly unlikely. The main resources of defence is delay and that is firmly built into federal law and the SEC tender offer rules. Under those rules, an offer must stay open for at least 20 business days (approximately 30 calendar days) and any shares tendered during that time can be withdrawn. Moreover, because tendered shares must be accepted pro rata, there is no pressure to tender early. In the US a target company can often put together a sale to a "white knight" in a fraction of that period.

* *Unocal Corp v Mesa Petroleum Co, 493 A2d 946.*

† *Moran v Household International Inc, 500 A2d 1346.*

‡ *Release Nos 33-6653; 34-2343-; IC-15199, July 11 1986, 17 CFR Parts 200 & 240.*

‖ *Amalgamated Suga Co v NL Industries Inc (SDNY, unpublished opinion, No 86 Civ 5010).*

§ *Dynamics Corporation of America v CTS Corporation (unpublished opinion, No 86 C 1624, April 17 1986).*

¶ *Fed Sec L Rep (CCH) 92,768 (unpublished opinion No 86 CV 71332 DT and appeal Fed Sec L Rep (CCH) 92,983).*

The authors are partners in the Chicago law office of Mayer, Brown and Platt.

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TECHNOLOGY

Atoms brought into focus for a faultless electronic future

OUT OF THE BACKROOM

by David Fishlock

BEAUTIFUL colour pictures of atoms and the bonds that hold them in place in a crystal have been obtained by scientists at IBM, tha US computer giant, using a novel microscope they themselves invented. The power of the microscope is such that, as well as producing the images illustrated (right), it can pinpoint flaws of a scale which the semiconductor industry must increasingly contend with as the microminituarisation of electronics and opio-electronics marches towards goals of many millions of functions on a single crystal chip.

The story begins with the invention in 1981, in the Zurich Research Laboratory of IBM in Switzerland, of a new kind of microscope capable of distinguishing atoms at or near to a crystal surface—in three dimensions.

For the first 50 years of this century, evidence for individual atoms could only be inferred: from Rutherford's observations of flashes in zinc sulphide; from the vapour trails in Wilson's cloud chamber; from von Laue'a use of X-ray diffraction, and so on.

Then in 1956 Muller used his field ion microscope to reveal how atoms are arranged at the polished point of wires of tungsten and other refractory metals. And Crewe in 1970 photographed individual heavy atoms with the scanning transmission electron microscope (STEM). Unfortunately the techniques of Muller and Crewe were not versatile enough to let scientists examine crystal surfaces of the kind needed with increasing atomic perfection for the latest microcircuits.

In 1981 Binnig and Rohrer, in IBM's laboratory at Rushlikon, demonstrated the first scanning tunnelling microscope (STM), applicable to a wide variety of inorganic meterials and even to biological matter. The STM can even "tunnel" beneath surface atoms to give a three-dimensional image of the way atoms are ordered.

For the electronics industry especially, the STM is proving a most powerful tool for characterising in ever greater detail the materials of micro-miniaturised electronics, as individual functions get closer to atomic dimensions, and the tiniest flaws assume growing importance. Biologists, too, are learning that the STM can give them a view of the surface characteristics of living structures as dellcate as a virus.

Several universities, inclnding Cambridge in the UK, Stanford and the University of California in the US and—in the case of living matter—the Autonomous University of Madrid in Spain, have participated in the development of the *STM over the past five years.*

Unlike the ubiquitous electron microscope, which needs a vacuum, the STM can examine specimens immersed in various gases or liquids, over a range of temperatures from near-zero to hot. Not least of its advantages is that it is noo-destructive; it does not damage tha specimen, as does the electron beam in electron microscopy.

The STM paints its picture by scanning the specimen with a needle sharpened to a single atom at its epex, held et a distance of just a few atoms. A voltage is established between this point and the specimen causing a current (electrons) to flow. By keeping the current constant, the scan of the needle can be recorded as a contour map of the surface of the specimen, detailed enough to distinguish individual atoms, as well as sites where atoms are missing or disordered.

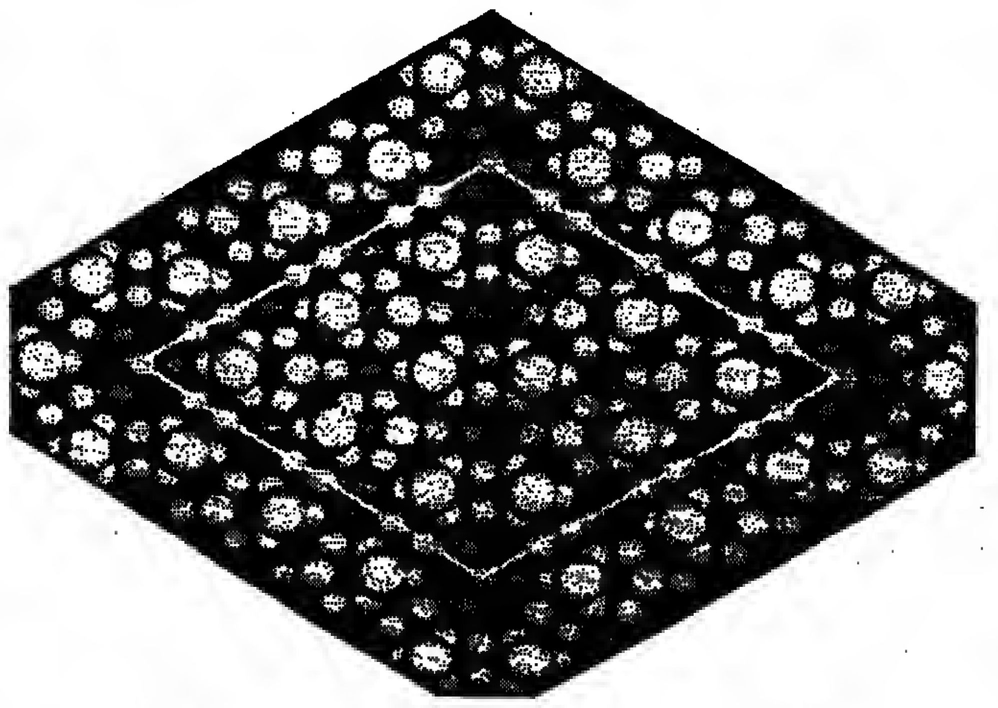
As may be imagined, Binnig and Rohrer introduced some ingenious engineering to keep their instrument steady enough to scan on this acale. As they see lt., the central problem in interpreting an STM image is "how to disentangle the richness of information it contains into its topographical, chemical and electronic features."

They have shown how the STM can be used to perform chemical assay—spectroscopy—atom by atom. Most recently, Binnig and colleagues have shown lt can be used to measure the incredibly slight interatomic forces, by recording the force exerted by surface atoms on a very sharp diamond needle.

At IBM's Watson Research Centre near New York, Dr Joseph Delmuth, manager of the interface physics group, has established another first for the STM by revealing the bonds between atoms. This group has shown what and where the bonds are between atoms of silicon, the raw material of most of today's chip technology.

Delmuth's group imaged these atomic bonds by periodically interrupting the feedback loop keeping the needle at e constant distance when it is scanning the specimen. In this way it could be induced to record the current flowing at each individual atom site. Whereas Binnig's contour map shows where the atoms lie, Delmuth's contour map reveals the nature of the bonds between atoms.

By putting the two contour maps together, Delmuth found he could "see" a relationship between the geometry of a silicon surface and the atomic bonding of the surface layer of atoms to those beneath. The accompanying STM image shows a diamond-shaped crystal of silicon with sides about 10 millionths of an inch long. The biggest balls are the surface atoms. The smaller ones are the sub-surface atoms of silicon.



Atoms in a silicon crystal, as photographed by IBM's new microscope

Atoms which are surrounded by other atoms behave quita differently from those at the surface, where there are no atomic bonds on one side. These differences are crucial to the behaviour of chips, and their importance increases as the size of each electronic function engraved on a chip more closely approaches the size of atoms.

The current issue of the *IBM Journal of Research and Development** contains remarkable colour images of silicon crystals, including flaws which Delmuth and his co-workers have shown to correspond in some cases to excess doping agents, and in others to "native" contaminants not ldentified for certain. They have also ldentified minuscule non-crystalline areas of a silicon surface, which they believe heve been caused by a misfit between atomic layers as they were being lald down. Such areas have quite different electrical characteristics from the rest of the chip, and can be the cause of rejecting uneconomically large numbers of chips.

* *Volume 30, No. 4, 1986.*

Robots put film products to the test

By Geoffrey Charlish

PHOTOGRAPHIC products are to be tested by a robot in the laboratories of Ilford UK-based coated film manufacturer.

Fenner Systems Engineering of Hull (0482 781234) is to supply a £200,000 robotic test cell with an IBM 7545 robot which will move samples between a number of precision laboratory instruments.

The test cell is to be controlled hy a computer system which will co-ordinate the operation of the cell, collect and display test results and communicate with an IBM host compnter. The system is designed to work 24 hours a day, continuously performing laboratory test concerned with quality control procedures.

Basis found for better circuit boards

BY GEOFFREY CHARLISH

THE ELECTRONIC industry's growing need to mount more components on printed circuit boards (PCBs), to produce ever more compact and efficient equipment, is set to be partly met by a new laminate from M & T Chemicals of West Bromwich in the UK.

The base for most professional PCBs is a copper-clad laminate produced by sandwiching layers of a special copper foil and epoxy impregnated glass cloth, and then applying heat and pressure in a laminating press. Photo-etching processes remove unwanted copper to leave the desired fine network of electrical connections.

The copper foil is made by electroplating and stripping a rotating drum, and the bottom limit of thickness obtainable is about 15 microns (millionths of a metre). Below this, the foil has inadequate strength, and produces uneconomic levels of scrap.

However, the PCB designer would like to have much thinner copper on the face of the laminate, to reduce the amount that has to be etched away to produce the circuit. This is not so much concerned with cutting process time, or saving etchant, but with the fact that the acid bites horizontally as well as vertically. Thus, if the aim is to make fine, closely-spaced tracks, they may become totally undercut and insecurely attached to the board.

M & T Chemicals has evolved a new way of making laminate in which the stainless steel plates used to apply pressure in the laminating press are first plated with a thin layer of copper. This become automatically detached and fixed to the epoxy glass core during the pressing operation. In this way, because the foil is continuously supported, laminate can be produced with as little as two microns of copper cladding.

An M & T plant at Lannemezan, in south-west France, able to produce 240,000 sq metres of this Metclad laminate a year, is due to go into production by the middle of 1987. Meanwhile, a small pilot line is producing laminate for industry approvals.

M & T has also developed a better means of masking the board before flow soldering, a process further down the electronic equipment production line. In flow soldering, the legs of components, dropped through holes and protruding on the copper track side of the printed circuit board, are soldered to pads on the tracks by passing the board over a bath of molten solder.

To prevent the solder forming unwanted (and electrically disastrous) "bridges" between tracks, a thin film is normally rolled on to the surface and soldering areas exposed by photoetching. But the film may not adhere completely, allowing solder to leak into unwanted areas.

M & T has developed a liquid photo-imaging solder mask that exposes only those areas to receive solder, together with a machine which applies the mask.

The process is called Photomet and there are now six machines operating in the US and one in the UK. More on 021 557 3949.

New angle on love life of the ragworm

BY PETER MARSH

FISH around Britain's coasts are to be tempted with a new form of delicacy; one which anglers will be hoping will prove irresistible to their quarry.

The prospective bait is to be specially bred ragworms, which from next year are due to be flourishing in a set of water tanks heated by the effluent of a power station near Newcastle upon Tyne.

Ragworms, vigorous creatures which grow up to 3ft long and normally breed in sandy estuaries, have been used for centuries as sea bait. In the wild, however, they produce offspring only once every 12 months. This limits the opportunities to harvest a stock of sturdy ragworms all the year round.

Seabait Ltd, a company formed by researchers at Newcastle University, has pioneered techniques to encourage the animals to breed not just in April, as is normally the case in Britain, but for several months of the year.

Dr Peter Olive, a director of Seabait who is also a senior lecturer at the university's zoology department, says he does not want to reveal exactly how his company tricks the animals into breeding out of their normal seasons. He thinks his methods are an advance on those practised by the scientists in charge of other ragworm farms such as those in Japan and Korea.

So far, Dr Oliva and his colleagues have been able to persuade the animals to produce offspring from November to May and he hopes to extend this to all 12 months in the near future.

In the wild, female ragworms release their eggs in the sand, where they are fertilised by sperm from males. It is exceedingly tricky to persuade the males and females to operate in this way any time other than spring.

With its breeding techniques, Seabait hopes to start a new industry in producing farm-bred worms for Britain's 2m anglers. Later, the company hopes to sell its product abroad. Seabait aims to produce 6m ragworms a year by 1988 and after this will start looking at the possibilities of breeding other kinds of sea creatures such as lugworms.

Young ragworms will be bred in a laboratory at the university before being transferred to tanks that Seabait is to construct in Lynemouth, Northumberland. The tanks and associated pipework are due to be built on land owned by British Alcan, an aluminium smelter, which operates its own power station.

At about nine months of age, when the worms are about 6 ins long, they will be sold to angling shops. The company hopes rapidly to capture a significant slice of the UK market for ragworms as seabait. Each year anglers in Britain buy ragworms weighing a total of about 25 tonnes and worth some £500,000. Most of these are dug up from estuaries in the UK and other European countries such as Eire and the Netherlands.

Dr Olive, whose company is backed with £250,000 from private investors and financial groups, says Seabait will be able to offer anglers a variety of sizes and shapes of ragworm all the year around.

Price gives way to image

Feona McEwan explains the background to Asda supermarkets' latest campaign

SHIFTING a corporate image is a tricky affair. An innovative set of new signs over the door won't necessarily do the trick if the goods inside stand still. Nor will a novel range of products advance an image if the packaging spells dull.

Advancing public perceptions requires the orchestration of n myriad disparate elements—environment, product range, packaging, and customer service, for starters—which together add up to a harmonious new whole.

This is the hoop that Asda, the Yorkshire-based pioneer of superstores in tho UK, has been putting itself through in an image-shifting exercise designed to propel itself into the 1980s and beyond.

The spur for the initiative was Asda's recognition that it was being left hehind in the retailing superstore league. "For 18 years we'd been a price discounter, selling branded prodncts with e price advantage over our national competitors," says managing director John Hardman. "Because we were the first company to build superstores of any size we were able to derive original economies of scale." (In the inflation-ridden 1960s and 1970s the consumer shopped heevily on price.)

However Asda'e own research showed that consumers have moved on. "Tha customer now ehops on a whole gamut of factors besides price, euch as convenience, proximity, varioty, quality and freshness. We were fine on tho first few but slipping on quality and variety," says Hardman. "Future competition rests on meeting a whole range of consumor needs, not just price."

Retailers like J. Sainsbury, Marks and Spencer and Tesco had recognised this and by selling on value for money and on quality, changed the rules of grocery retailing. They were offering superstores too and extending their operations into the Asda-dominated north.

So Asda decided to make the move south. "To put it crudely, most of our competition hed moved into our patch and now we're moving into theirs," says Hardman.

Heavy promotional activity at Sainsbury in its much admired stylish ads from the David Abbott stable (et Abbott Mead Vickers) reflected the changing style of food retailing. Clean - looking photography, pithy copylines, often with unashamed puns, with the focus on vegetables or meat or fish. Tesco learned the same tune and promoted its comprehensive wine selection, its extensive cheeseboard and its fresh meat ranges.

Shoppers these days, as agency Bartle Bogle Hegarty soon discovered, were changing their habits: they were increasingly shopping once a week, at regular times, and often using a car. People were becoming more store loyal where once they were brand loyal. They were less interested in the price-tag on e product and more interested in the contents label.

Asda began a three-pronged assault on its image some two yoars ago. On the prodnct side, a new merchandising policy which identified own-label as a vital area for growth heralded an Asda own range for the first time. It plans to have 2,500 own label products by the end of next year, of what Asda folk are made to call "Asda brands" rather than own-label to remind themselves that this is added-value produce and not e cheap variant. Innovative packaging for the products has kept busy 22 design consultancies around the country.

The second strand of the image shift has involved a redesign of the Asda stores by Fitch and Co. The concept (already making waves in Preston where refurbishment has just bean completed), involves varied ceiling beights and colours to differentiate three distict "environments"—fresh food, non-food and grocerles. Fitch claims it is unlike anything that has gone before. Asda now plans to refurbish its 105 stores over a three-year period as well as opening some new stores as part of its assault on the southern market.

The third strand is advertising. Asda's decision to plece the substantial £13.5m budget into the hands of Bartle Bogle Hegarty, one of London's leading, but smaller creative agencies, raised eyebrows at the end of last year. Known for its eward-clinching work on Levis and Audi, the 90-strong agency had not handled a retail client before. "This means we came to it with no preconceptions," says eccount director Martin Smith.

The move of Asda into a creative agency underlines a wider trend in the retailing field, which has seen major retailers seeking out creative excellence as a priority. Tha move of Boots the chemists chain into Collett Dickenson Pearce and Texas Homecare into Boase Massimi Pollitt are further examples.

So it was with no little curiosity that Asda's new nd campaign was unveiled three weeks ago.

The Asda campaign will appear nearly every week on television. Eech month there will be a different poster and press ads designed "to catch the new shopper," says Smith.

As expected, the creative approach is not in the mould of the competition. The mood is more tongue-in-cheek than the rival ads. In some of the commercials, northern comedy duo Victoria Wood and Julie Walters (both funny, gossipy approachable figures), chatter indiscreetly while selecting Asda produce. There is no store in sight. Instead the girls progress through a number of exotic settings suggestive of the global choice nvailable at Asda. "When you've got the whole world to choose from at Asda, you'd be off your trolley to choose from anywhere else" is the tagline.

Another commercial uses Bill Owen, of Last of the Summer Wine, and Leslie Ash of Cats Eyes, the UK television programmes. Use of humorous personalities is something of e tradition with the store which used Leonard Rossiter in the mid-1970s. The campaign is nationwide though weighted towards its superstore sites. Too early to gauge response, the heavy stream of ads involved looks set to ensure that everyone at least hears about the new-look Asda.

Audience measurement

AGB breaks into US networks

Antony Thorncroft reports on the risks and rewards facing the UK market researcher

AGB, tho UK's largest market research company, is facing the biggest opportunity, and the biggest risk, in its history. It has just been offered a contract by CBS, ona of the three top American national television networks, to measure its audience in the US. If it can clinch the deal, the entire audience measurement business in the US, estimated to be worth $200m a year by 1990, is there for the taking. But the intervening period is fraught with dangers.

In the UK, AGB first cama to prominence when it captured the British TV audience measurement contract. It has held it now for over a decade and it is worth £2m a year, making it the UK's biggest research contract. Then in 1984 it took its experience to the US, and with the co-operation of a handful of advertising agencies, and the networks, settled on Boston, producing TV eudience data. It brought to the US the "people meter," whereby the eudience for TV programmes could be measured automatically by individuals signalling their presence as viewers by pressing a button, as against the traditional American method of diaries.

The "people meter" obviously impressed and now Nielsen, which has dominated audience measurement in the US, has announced that it is switching from diaries to meters. Tests suggest that the overall audience does not change much with the new method but that certain groups, such as children, watcb more. Cable viewing also received n boost.

But installing 3,000 meters across the US by the end of next year is very expensive, and AGB must now raise at least $20m to finance its development, a task it has left to Schroders, the UK merchant bank. If the money is forthcoming the stage is set for a battle royal, for Nielsen is fighting back hard to retain its market. The beneficiaries will be the networks and advertising agencies in the US which will see e fall in the cost of their TV research.

As part of its retaliation Nielsen is taking a new look et the UK. Its research director Jim Lyons is in London investigating potential acquisitions among research companies, and making it obvious that Nielsen intends to make a challenge for the UK TV measurement contract when it comes up for renewal in 1988. Nielsen, now part of Dun & Bradstreet, is far and away the largest research company in the world, with an annual turnover of over $700m.

An enormous sum of money is riding on the outcome of the fight, for it is generally agreed that within three years only one company will be measuring national TV ratings in the US. In 1986 US companies will spend $20bn on TV advertising, allocating it according to research findings. As well as the national networks there are thousands of local TV stations which Nielsen services in competition with the Time magazine subsidiary Arbitron, and which AGB would hope to attack once it has digested the big three. Potentially it is an even greater market.

AGB has had its problems in recent months, notably with its Australian operations. Bringing off this tremendous coup would settle its future. It does not expect any profits from the US until 1990 and costs to date have been ebove forecast, but its achievement in invading such a vast market, so successfully, is considerahle. The US advertising industry likes a choice, and admires a new competitor. It will look favourably on AGB's efforts. But in Niolsen AGB faces an entrenched and very well-financed fighter. The result is by no means settled.

Better value sought by exhibitors

"WHEN IT comes to exhibitions many responsible marketing and publicity managers seem to lose their sense of commercial reality." So says a guide published last week by the Incorporated Society of British Advertisers (ISBA) in an attempt to help them get better value for money when choosing and paying for exhibition services.

In a market estimated at £192m—spent by UK companies on domestic trade, technical and consumer exhibitions last year—competition for exhibitors is fierce. Companies are therefore warned to keep their critical faculties well honed in the presence of representatives selling space.

Once upon a time, according to one medium-sized stand erector, "only two exhibition centres mattered: Earls Court and Olympia in London and exhibitors were only too happy to pay the fancy prices asked. But the development of the National Exhibition Centre in the Midlands was the big turning point. Suddenly there was competition, particularly when the NEC started to cut prices to attract more events.

"There are now many more exhibitions to choose from. Somebody gets a good idea for an exhibition and everybody else wants to get in on the act and stage a similar event; you get overkill. As a result, some companies are becoming more cost-conscious about image building and product promotion."

A simple rule is that the cost of renting the space is likely to be about 30 per cent of an exhibitor's total costs; the rest will depend on the lavishness of the stand and the company's entertainment bill.

Before allocating their promotions budget, the ISBA advises, managers should analyse their reasons for wanting to remain on the exhibition circuit. It may be that a company wants to launch a new product, underwrite its image or advertise its continued presence in a particular market. According to a survey of exhibitors carried out by the ISBA, 54 per cent of exhibitors listed the "presence of competitors" as one of the principle reasons for attendance.

Since exhibitors are in effect buying attendance, whenever possible they should look for audited figures of previous events. These are available through Exhibition Data Forms administered by the Audit Bureau of Circulations.

Consequent costings must also be considered carefully. Organisers simply rent space, although some provide basic "shell" stands. Exhibitors will normally have to pay extra for the design and construction of stands, electrical and other services, entertainment, transport, storage and staffing. In this context, it is essential that all people working on stand construction are members of the appropriate trade unions.

If companies are participating in a series of events, suggests the guide, modular stand building and display systems can be more economical than on-site building.

Finally, seek quotes for all contracted work, and from more than one company; and check that invoiced totals tally with estimates.

Guide for Exhibitors, available from ISBA, 44 Hertford Street, London W1Y 8AE; £7.50 for non-members.

Andrew Taylor

THE ARTS

Tate Gallery/William Packer

Underrated Scottish masters

Painting in Scotland: The Golden Age 1707-1843 was first shown in Edinburgh this summer as a major contribution to the Festival on the general theme of Scotland in the Age of the Enlightenment. The exhibition was given a full and enthusiastia review by Patricia Morison on this page at that time and I do not propose to multiply her words unduly, hut it has now come to the Tate Gallery in London (until January 4), again under tha sponsorship of Mobil North Sea Limited, and having caught up with it myself at last I see no harm in adding a brief recommendation of my own. Indeed I would urge even those who have seen it once to go again, for no travelling exhibition stays quite the sama in lts looks and emphases as lt fits ltself to each now circumstance. The relationships change between work and work, the light is different, and fresh thoughts must occur to those responsible as the show goes up anew.

Certainly the Tate's set of close rectangular galleries is a far cry from the npen asymmetry of the Talbot Rice, with any more general run and overall development somewhat interrupted and attention directed rather upon particular groups of work, and particular artists. Duncan Macmillan of the Talbot Rice, who selected the exhibition, explains its chosen span as extending between the Act of Union and the Disruption in the Church of Scotland, two political and social divides more useful than ebsolute. In terms of the Scottish art of the poriod lt is marked by the movement of lts artists onto the broader stages first of Britain and then of Europe. It is the poriod of Hume and Burns and Scott, and in painting lt begins with Allan Ramsay, continues with Henry Raehurn and the romantic landscape painter, Alexander Nasmyth, and closes with the great and still much under-rated master of Scottish genre, David Wilkie.

These are the four great figures on whom the show turns and each is given considerable space to himself, in Raeburn's case a whole room. The result in each case, if not quite a revelation—for none of them is exactly unknown—is both a surprise and delight.

For the problem of underrating in Scottish painting is not peculiar to Wilkie. Ramsay is the most subtle and refined of British portrait painters of the mid-18th or of any century, the first to respond to contemporary French example, and a major study of him is long overdue. Yet, always preferring the modest and the personal to the grand manner, he sits still in Reynolds' shadow, too readily dismissed as comparatively minor and under-ambitious. Here a wonderful group of works gives that easy prejudice the lie: his wife Margaret with her rose; Dr Hunter in his green coat; Anne Broun in pink lace; and, above them all, his portrait of Mrs Bruce, small and quiet as it is with the same simple format as the others, so beautifully drawn and tenderly observed, hut with all the clear authority and self-possession of the true masterpiece.

Alexander Nasmyth too, Ramsay's sometime pupil, who took into his own preoccupation with the landscape much of his master's delicacy of observation and draughtsmanship, shows himself here to be much more than mere journeyman topographer. His three views in Kintyre south of Tarbert, of 1802, are fine enough in the romantic tradition of Claude and Wilson, but his view along Prince's Street in 1825, with the present Royal Scottish Academy just going up, is by contrast remarkable, as much for the robust vigour of lts etatement as for the detail of its observation.

As for Raeburn, his room does indeed present a revelation, or perhaps lt is something of a reproach. We are still inclined to be a shade puritanical in the view we take of art, to valne labour and effort above accomplishment and distrust facility and apparent ease. Raeburn has always stood among those artists we think of and thus condemn as slick, and we are inclined to forget that the list is as strong as it is long: Veronese, Rubens, Van Dyck, Hals, Tiepolo, Lawrence, Sargent and so on and on. What we are shown here in this admirable group of Raeburn's portraits, some of them intimate, some cast on the grandest scale, is indeed invariably slick, if by slick we mean carried through with energy, confidence and assured technlque. Tha drawing is sure, the observation close and entirely convincing as to likeness but just as we accept the substantial pictorial presence of the sitter, we are at once enthralled by the physical vitality of the paint as it is worked upon the surface. It ia the artifice, the magic ltself which is so exciting, by which the material transforms itself into flesh and silk, form, light and space. It is a natural expressionism itself nothing new, for it has appeared in all periods. Before the young Isabella McLeod of 1798, ravishing in her white dress and green bow, we can only applaud.

A new-old Ring at the Met

[illegible]

... or less, and is far bolder in its historicism than any other of the would-be "romantic" Rings around. Most of those have compromised, feared to step confidently backward.

[illegible] ... Siegmund's share of the *Todesverkündigung*, Sieglinde's "O hehrstes Wunder," Wotan's Farewell, and much else are sung kneeling.

In short, there is a disparity [illegible]

... gets through the part hut doesn't command it vocally, and her modern, energetic epproech sometimes suggests a grown woman carrying on like a coltish schoolgirl. When the Met [illegible]

... ment" other than those made, in Wagner's words, by the singers. It's e hrave undertaking, and one wishes it well.

Andrew Porter

Arts news in brief

The Riverside Studios, together with the Hammersmith and Fulham Council and the Russian Ministry of Culture have organised a ten-day Russian Festival during November, when treditional and contemporary arts and crafts will be on display throughout Hammersmith.

The opening concert in Hammersmith Town Hall will feature the Boyan Orchestra from Moscow and a soloist from the Bolshol Opera. Fulham Library will house a Russian book exhibition, and Riverside Studios an exhibition of crafts and decorative arts (November 7-16).

★

The National Westminster Bank is to become the principal sponsor of Opera 80 for the next two seasons, which, with Arts Council support, will enable tha company to plan ahead.

Its new chairman is to be Findlay — assistant director of the Royal Opera House who will succeed Jack Phipps: Mr Phipps is to rejoin the Arts Council as controller of touring.

★

American jazz vocalist Bobby McFerrin is to play one date in London as part of his European tour. This will be on Wednesday, October 29, at the Royalty Theatre in Portugal Street, WC1.

Tickets, priced £7.50 and £6.50, are available from the Royalty box office. 01-831 0660.

Talk of the Devil/Bristol Old Vic

Michael Coveney

Ten years ago Mary O'Malley had a deserved hit with *Once a Catholic*. The follow-up has been a long time coming; and it's still not arrived. Bristol's new artistic director, Leon Rubin, included this piece in his last season at the Watford Palace but kept the Press eway. One now sees why, for the revamped Bristol version, fatally weak in its scenic structures, black-out lines and tapering second act, implies a real disaster first time out, even if Ian Dury did play the Devil.

The trouble is we have too much too skimpily in the story of an Irish west London family across 23 years from the late 1950s. *Once a Catholic* was stuck gloriously in the remembered groove of Miss O'Malley's schooldays. Here we have a promising start with the family outing to Confession — young John has eaten a sausage roll on a Friday, Mr Maguire has committed adultery, e peccadillo, incidentally, with no pay-off except the repeated glumness of his sexless marriage. But the main thematic strand is e pantomime Faustian tug-of-war over Geraldine Maguire, the Devil and Our Lady appearing like the Demon King and Good Fairy as mobile living statues through the furniture in a puff of smoke or, in the Virgin's ease, with a plaster seraphim.

There are sharp pre-Ecumenical digs at mixing with Protestants and spotting those in the congregation who are on the Pill by their absence from the communion rail. And throughout, Miss O'Malley still supplies renegade Catholics with the odd frisson with her spot-on barbs, especially if they implicate the St Vincent de Paul Society or parish outings to Lourdes.

But, oh the torture of her diabolic Cockney friend, given the full hissing and cussing works by Kevin Lloyd, the most inefficient advert for sin in a long time. John Ronane and Pauline Yates animate the dreadful Maguire marriage, but are left stranded as Miss O'Malley sends us hurtling through the 1960s (mini skirts and Popo Paul VI on the mantelpiece) and, two seconds later, the 1970s (Long hair, flared trousers and joints).

John's marriage to Geraldine's Protestant friend breaks up and father goes not to the grave but, shock, horror, the crematorium with John's blasphemous intention to settle down with a divorced woman ringing in his ears. Geraldine (Teresa Boden) never occupies the central position the playwright is pitching for, finally depressing her mother by moving, aged 33, into South London with a coffee-coloured Buddhist.

The jokes and comic concepts, all there, never have time to settle in the frantic and finally tedious brouhaha. Paul Unwin's production has a lot of dramaturgical work to achieve, although one does feel at the end the cause might be just ebout lost. There is one chilling scene, very well played by Mr Ronane (how good to see him on stage again) and Stephen Rashbrook, set on that horrendous morning when the son refuses to go to church.

Sally Crabb's design of gauze suburban walls and trucked bedrooms, does not solve the finency problem. and the piece ends with an arbitrary appearance by the indefetigable Christopher Ettridge — who impersonates various saints and cleries, including the chain-smoking nosy parish priest—as St. Jude, patrons saint of hopeless causes. He almost tempts a crude critical comment but he is perched appropriately at Mrs *Oh, If Ever A Man Suffered* was the first play of Miss O'Malley's I saw. The title stands as a critic's lament.

Still, these two evenings in Bristol have served good notice of an adventurous new policy. For the moment, patrons are recommended to repair to the smaller New Vic auditorium for the Havel/Stoppard evening, a show that lingers powerfully in the mind.

Mayerling/Covent Garden

Clement Crisp

With *Mayerling*, returned to the Opera House repertory on Tuesday, we see the Royal Ballet at full and tremendous stretch. There is nothing clouded or imprecise in dance or interpretation. Each role, in the eight years since the ballet was first given, has acquired density, a sense of dramatic purpose; each scene, from the grandest ensembles at the Hapsburg court to the tiny recitative dialogue in Baroness Vetsera's salon, has shape and momentum. The evening is, in effect, e portrait of a company of dance actors without peer, their playing beautifully nuanced, strong in impulse.

At the heart of the performance was Stephen Jefferies' incarnation of Rudolf, marvellous in its intensity as in its emotional integrity. It is analytically exact: the angry young man of the wedding reception grows in stature as in suffering, from an initial incomprehension of his plight—the closet scene with the Empress Elizabeth (Sandra Conley) a first hint of the terrors to come—by way of hrutality in his treatment of his bride (Wendy Ellis, as ever, a most touching advocate of Stephanie'e incomprehension), to the extraordinary combination of erotic fantasy and despair that marks the impassioned dnets with Mary Vetsera (Jennifer Penney).

It is in every way an interpretetion of constant expressive truth and a piercing dignity, and wholly compelling. But so, too, are the readings of the three dancers I have mentioned—Miss Penney, ravishing in line, is ideal in sensual provocation—and of Merle Park as Countess Larisch. It is the merit of Dame Merle's view of Larisch that, beneath the opportunism and vicious greed for power, we also see that she is the only woman to understand the torments that Rudolf suffers, and her playing gains our sympathy thereby.

Among subsidiary roles, commendation for Simon Rice's devoted Bratfisch, and for Rosalyn Whitten's hravely danced Mitzi Caspar. But *Mayerling* is essentially a company achievement, and the Royal Ballet's artists are uniformly praiseworthy. I also record with pleasure that Nicholas Georgiadis has added decorated borders to his design and has made the Hofburg seem even more marmoreally historic with portraits and tapestries. Ashley Lawrence's control of the score's drama was exemplary.

Frankie Howerd returns to the West End

Frankie Howerd will return to the West End when *A Funny Thing Happened on the way to the Forum* transfers from tha Chichestar Festival to the Piccadilly Theatre, opening November 14.

Rebel!/Albany, Deptford

Martin Hoyle

The Albany takes its role as a cheerfully sociable cultural centre seriously. Donna Franceschild's new musical seems to have been written with local conditions in mind. "Welcome to Deptford!" is the ironic punch-line to a prologue that portrays viciously thuggish police violence and intimidation. The play is sprinkled with local references but the effect is slightly arbitrary. There are all too many areas in Britain where street violence is explained as either "a vendetta of honour or because someone happens to be a coon or a queer"—as a not too distant resident, I think this applies rather less to Deptford than elsewhere—and the hero's Glaswegian accent emphasises how widespread the demoralised hitterness of unemployment is.

Without the element of specific relevance, the story emerges as an oversimplified clash of unbelievably nice and garishly nasty. Hints at a modern gloss on the James Dean film *Rebel Without a Cause* leave one uncertain whether populist jollity or harrowing drama is intended.

Colin Hicks's direction fails to vary the pace of the long opening Fifties-style party (including a good pastiche doo-wop number from the author and her co-composer, Richia Rich) where the Scottish newcomer Jim (David Lee Michael) experiences Deptford hospitality: a stream of insult, ahuse and threats. After these initiation rites Jim nicks a car for his new mates (streets whizz by on back-projected screens) which crashes (effective strobe lighting) and kills cock of the walk Kevin. The first act ends leaving us with the guilty wish that the rest of the most unengaging cast of characters to be found outside *Titus Andronicus* would share the same fate.

The production imposes a static picture on Jane Ripley's composite set. The singers and dancers never leave the stage, so spend much of the time looking glum or ferociously self-ebsorbed when not required. Switching the action between different parts of the stage often leaves the actors standing around looking vaguely concerned or, when apt, vaguely unconcerned. A promising performance from Mr Michael, whn soon goes to the Glasgow Citizens, fails to make a positive figure of the essentially passive hero. As his loyal sidekick with a propensity to mawkishness ("Thank Christ I'm different—I'm a dreamer,") Fergus McLarnon is a better saxophonist than 21-year-old introvert. This porky little gay persona may strike some homosexuals as patronising. No hlacks will bring that charge against Jo Martin's unremittingly charmless Camille, so loudly aggressive and ungracious that Jim's noble decision to take her robbery rep seems less an act of self-sacrifice than a desperate hid to get away from her.

Hallé/Festival Hall

Dominic Gill

It is a delight to hear the Hallé under Stanislaw Skrowaczewski these days, no matter what they play. Together on Tuesday they launched directly—splendid change from the usual redundant overture—into Beethoven's third piano concerto, with the American pianist Malcolm Frager as soloist.

At their best, the Hallé do so many things outstandingly well that whet they do less than perfectly leaves barely a shadow behind. Skrowaczewski can in particular summon from them a range of instrumental nuance thet is much rarer in modern orchestral playing than it should be. They are small things, but they leave their mark: an expressive crescendo in one voice matching a little decrescendo in another: a Beethoven string *sforzando* made to speak, quick and vibrant, as Toscanini used to make them. Mr Frager's playing was worthy, solid, clean cut—but a little foursquare in the largo, and nowhere as delicately or as deftly elaborated as his orchestral accompaniment.

The only quality seriously lacking in the Hallé's account of Shostakovich's fifth symphony after the interval was the hig, soulful sonority of a Russian orchestra's string department; but their vivaciousness, and generally the bnoyancy and rhythmic pungency of their playing, made up in large measure for any lack of textural weight. The allegretto had a bright, sharp edge—a sparkling tour de force. The largo string chorale rose slowly and impressively to its climax—no punches pulled here by the strings—before subsiding to e whisper.

Leonard Duck, our programme note contributor for tha evening, swallows whole the composer's assertion that the finale of the Fifth is an "optimistic solution," calling it "a majestic affirmation of the joy that follows tribulation." Skrowaczewski's relatively unemphatic treatment, fast templ and vivid colouring, only served to underline more clearly the irony of the movement, and its powerful undercurrents, to tha very last chord, of hitterness and tragedy.

Alice Liddell photograph

A photograph of Alice Liddell, the inspiration for Lewis Carroll's Alice in Wonderland, is offered for sale by Sotheby's on October 31. Unfortunately it is not by Carroll, a keen photographer, but by Julia Margaret Cameron, one of the most noted Victorian snappers. It is expected to sell for up to £5,000.

It depicts Alice, as a young woman, posing as St Agnes, and was taken in 1872. Sotheby's sold a similar photograph in 1974 for £400. Prints of Alice by Carroll rarely come on the market, but the sama sale inclndes a group of photographs by the Oxford don turned children's writer, including one of *Miss Kitchen lying on a sofa* which could make £750.

In the hope of evoiding another controversial auction the Duke of Devonshire is negotiating with the British Mnseum to buy more of his Old Master drawings. He wants to raise around £2.5m a sum probahly outside the BM's resources. It will look to the National Heritage Memorial Fund for aid in securing the drawings

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

October 10-16

Exhibitions

[illegible]

Grand Palais, closed Tue, Ends Jan 5th (4289 5410).

Stuttgart, Württembergischer Kunstverein: Artists to Germany from 1900 to 1945 represented with 200 [illegible]

LONDON

The Royal Academy: Je Suis le Cahier [illegible]

78 paintings, watercolours and drawings from 1800-1850. Ends Nov 30.

NEW YORK

Museum of the City of New York: Arbit Blatas's paintings, drawings and [illegible]

Saleroom/Antony Thorncroft

Strictly for the birds

The London saleroom season sprang to life yesterday when [illegible]

a complete run of "The Botanical Magazine," from 1787 to [illegible]

FINANCIAL TIMES
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Thursday October 16 1986

Business and apartheid

THE CONTROVERSY over governmental sanctions against South Africa has been paralleled by a similar debate over the role and responsibility of foreign businesses with investments in that country. Shareholders and customers in the US and Europe have urged disinvestment, in the hope of exerting increased pressure for the abandonment of apartheid, and several western companies have either reduced their exposure or withdrawn entirely. The long and concerned letter on this subject from the group managing director of Royal Dutch/Shell to all Shell chief executives is one sign of the saliency of this dilemma in business boardrooms; the decision by General Motors to review the future of its South African subsidiary is another.

It is not at all clear, however, that the parallelism between the two debates, though close, is close enough to lead to the same conclusions. In both cases the arguments are rendered extremely speculative by the difficulty of forecasting the effect of sanctions; but whereas the balance favours governmental sanctions, if they have any chance—however small—of accelerating reform, the case for company disinvestment on political and/or moral grounds seems much more dubious.

The problem for business leaders in South Africa, and for multinationals with subsidiaries in South Africa, is to strike a sustainable combination of purely business calculations, with the broader political and moral respnsibilities which should accompany the wielding of economic power and influence. Given the state of crisis in South Africa, even the business calculations may be hard enough to weigh; combining them with political responsibilities may be even harder. But the quandry cannot be avoided, and it may be most acute for companies which take most seriously their social responsibilities.

Business calculations

General Motors has given two reasons for reviewing the future of its South African subsidiary: first, the lack of progress towards ending apartheid; second, the desperate state of the vehicle market there. It is not clear which reason is more important; but the implication is that GM may not foresee a recovery in the market until the crisis is over, that the crisis cannot be resolved without the abandonment of apartheid, and that there is no foreseeable prospect of a peaceful end to apartheid.

Durable liability

It might be sensible for a company to withdraw from South Africa, if it made a totally pessimistic forecast of the prospects for the politico-economic system there; it might also be sensible to withdraw, if it seemed that the South African activity was, and was likely to remain, a durable net liability for the entire group but it would probably not be sensible to withdraw in the hope that this would exert pressure for reform.

Such a withdrawal might silence the anti-apartheid agitators and secure peace of mind for the directors. But it would be most unlikely to have any significant impact on the prospects for reform, and might have a perverse effect. The physical assets would be bought (cheaply) by South African interests, the business would continue as before but the new managers might be less susceptible to the urgings of social responsibility, as embodied in the Sullivan and EEC codes.

Conventional litany

The dilemma for foreign companies is that by now they are also rather unlikely to have any significant impact on the prospects for reform, even if they stay in South Africa. Until a couple of years ago, perhaps, the South African business community had more influence, because there was more of a consensus between the political elite and the business community on the need to change some of the economic elements of apartheid: training for blacks, job mobility and promotion, trade unions. Business can certainly promote this kind of economic melioration, inside company premises as well as outside, but nobody now seriously believes that it is adequate to handle the crisis. Shell supports the conventional litany: the release of Mandela, the legalisation of political organisations, the opening of negotiations; but these are far-reaching political demands for which business has no leverage and little competence.

A bill that needs support

THE Financial Services Bill was never likely to prove a popular piece of legislation with the City of London. As it goes through the report stage in the House of Lords this week, however, it seems to be attracting a degree of weary hostility from market practitioners that borders on exasperation.

This impatience finds an echo in the Lords, where the prospect of soldiering through 350 government amendments does not inspire universal enthusiasm. According to its detractors, the bill has been badly planned and badly drafted; its rules are too detailed, to the point where it could inhibit business. Why not, they ask, take a pause for thought and clarification?

The argument is seductive because the criticisms are not wholly unfounded. One of the penalties of placing self-regulation within a statutory framework is thet some flexibility is lost. Parts of the bill are indeed confusing. And there is no question that the City faces a sizeable bill for the new regulatory machinery, although estimates of a £20m annual cost, including around £6m for the Securities and Investments Board alone, fall well short of the budget of the Securities and Exchange Commission in the US.

Cumbersome procedure

That said, there is a powerful element of special pleading in the cries of woe from both Westminster and the City. Most of the amendments to the bill are technical: substantive issues are involved only in some 35 of them. Given that the legislation sets out to provide a comprehensive overhaul of the British system of investor protection this is hardly beyond the bounds of reasonableness. Nor could any bill of this kind escape allegations of complexity, precisely because the subject matter is genuinely difficult.

These problems have, however, been made worse by the cumbersome nature of committee procedure in the Lords. In the Commons, committees usually consist of small, and in many cases relatively expert, groups of MPs who are able to tackle the details of a bill with considerable application. In contrast the Lords have to deal with complex clauses on the floor of the house and involve greater numbers, some very inexpert, in the discussion.

But this is an argument for procedural reform, not for delaying the bill. And where City interests are concerned, it has to be said that those who want delay are seeking to have their cake and eat it. The chief reason for the volume of amendments is that ministers have sought from the outset to consult practitioners on all aspects of the bill. Some, such as the corporate treasurers, were relatively slow to make representations. Others, such as the commercial banks, are still lobbying hard for less stringent rules in relation to the sale of insurance products in their barnches.

More concessions

The Government has, on the whole, been remarkably compliant in its handling of the City's representations, notably in relation to the grant of legal immunity for those who sit on the boards of Self Regulatory Organisations. It may well have more concessions to make, not least to the professions, which have not been granted the same immunity and whose case will thus be hard for the Government to refute.

In short, the City has had a fair crack of the whip; and it would be unfortunate if the whole object of the exercise, which is investor protection, were now to be lost sight of. If the bill wins the Royal Assent in November, its implementation will still be remarkably slow. Powers have to be delegated to the Securities and Investments Board; the Office of Fair Trading has to be satisfied that the rules are not anti-competitive; the SIB itself has to satisfy itself about the rule books of the Self Regulatory Organisations and Recognised Investment Exchanges; and so on.

That means that the bill is unlikely, on the present timetable, to be fully implemented before the second half of 1987. Yet the pressures on the conduct of market practitioners will be increasing as they confront the more competitive world that follows Big Bang. In the circumstances it would ensure the worst of all worlds for investors if the bill, imperfections and all, were lost. There is no case for delay.

THE OVERBORROWED BRITISH

Cause for anxiety, not panic

By Hugo Dixon

PROPHETS of gloom and doom are telling a pretty depressing story about the build-up of consumer debt in Britain. It goes like this.

The Thatcher government came along in 1979 with its free-market ideas. In 1980, the new government abolished the "corset" which controlled the money supply by restricting the growth of bank lending. Over the course of the next five years, further liberalising steps were taken to break down barriers between financial institutions and increase competition.

The result has been a credit explosion. Between 1981 and 1985, net borrowing by the personal sector for house purchase went up from £9.5bn to £19.4bn, while net borrowing from banks for other purposes rose from £4bn to £6.9bn. This year the pace has quickened.

Part of the picture has been a credit card boom: between end-1979 and mid-1986, the number of people with Barclaycards increased from under 5m to 8.4m. Money not paid back after an interest-free month has also risen, from £674m in 1983 to £964m in 1986.

Banks, building societies, finance houses and retailers have fallen over each other in a mad rush to lend as much money as possible. Some have encouraged people to borrow but paid scant attention to their ability to repay.

But if the lenders can be said to have acted irresponsibly, the Government can certainly be said to have stoked the fires, with its promotion of home ownership and its sales of council houses.

The figures indicate that people have been wooed by the promise of owner occupation. A popularly-held theory among those too young to remember a property crash is that, since house prices had risen by over 10 per cent a year for several years, they are bound to continue rising at over 10 per cent a year. So, the argument goes, if the finance is available it is foolish not to buy.

Certainly, the finance is available. Freed from the corset, the banks have moved into the mortgage market in a big way and built up a 17 per cent share. Given their recent bad experiences in Third World debt, the promise of mortgage lending in their back yard must have seemed particularly attractive.

Their appetite for such lending is still expanding. Earlier this month, Girobank started offering home loans and, only last week, Barclays Bank began lending to people who want to buy a holiday home. New lenders, who raise their funds on the wholesale market, have also entered the business.

The cosy world of building societies has proved unable to survive this external threat. The interest rate cartel, which kept mortgage rates and interest rates on savings artificially low fitted demand to supply by rationing mortgages, came under increasing strain and eventually fell apart in 1983. Building societies began to fight not only against the banks but among themselves for business.

In their eagerness to increase lending, some institutions have been prepared to lend up to four times the borrower's income and up to 100 per cent of the value of the property. Since the money being pumped into the housing market has not been matched by increased house building, prices have shot up.

Competition to make unsecured loans has mirrored the battle in the mortgage market. Lending people money to buy cars and spin driers or encouraging them to increase their credit card limits may not be as safe as lending against the security of a house, but the interest rates being charged are much higher. Competition in this sector is likely to intensify next year, when building societies will be allowed to make unsecured loans.

It is hardly surprising, the prophets of doom continue, that this lending binge is already running into problems. Virtually every indicator of debtor difficulties has risen — some to record levels.

In the year to March 1986, 103,000 households in England and Wales had their electricity cut off for failure to pay bills, a rise of 13 per cent on the previous year. Gas disconnections rose by 12 per cent and there have even been cases of water being cut off, previously virtually unheard of.

The number of houses taken into possession by building societies has increased from 2,500 in 1979 to 16,800 in 1985 and further since then. Although building societies like to boast thet the 1985 figure is still only 0.25 per cent of all loans outstanding, possessions are only the tip of the iceberg.

Only the most desparate cases end in eviction. But many home-owners are struggling with sometimes serious arrears: some researchers estimate that as many as one in 20 are two months or more behind on mortgage payments.

And, so the prophecy goes, things are going to get worse. Today's statistics reflect yesterday's lending; the basis for tomorrow's even greater repayment difficulties is being laid today. According to this scenario, borrowers can be expected to default in larger numbers and lenders forced to repossess more and more properties.

The rush to sell properties would drive house prices down and people who borrowed on the assumption that prices would continue to rise would find they owed more than their house was worth. Some might then choose to walk away from the problem and leave it to the lenders to clear up the mess. House prices would fall further and some financial institutions could fail. Confidence would be seriously shaken.

Such a prophecy or a variation on it is supported by some of the people working in Citizens Advice Bureaux and money advice centres up and down the country, which end up trying to solve people's debt problems. It is hotly denied, though, by most of the lenders.

One of their arguments is that deregulation of financial markets was bound to lead to an increase in borrowing and this was a good thing, not bad. Artificial credit controls by previous governments had distorted the efficient allocation of financial resources from those who had spare savings, (mostly the old) to those who did not (mostly the young).

"Only a few years ago," says Mr John Rhodes, National Westminster Bank's deputy manager for personal banking, "banks were being accused of not lending enough. Now the criticism is the opposite."

Some bankers and building society executives admit that the increased volume of lending has led to a decline in the quality of loans. But, as Mr Mark Boleat, secretary-general of the Building Societies Association, says: "If building societies choose to lend for more risky projects at higher rates, that is not necessarily a bad business decision."

Even if one accepts that today's loans will feed through to higher figures for repossessions tomorrow, as Mr Boleat does, building societies are not threatened. The reason is that it is very difficult for them (and other mortgage lenders) to lose money.

If the borrower defaults, they can possess his house. Although as soon as the arrears department is brought in, any hope of profit is lost, they at least have a security. The rise in house prices has meant that lenders can sell the property and have more than enough left over to cover the outstanding debt.

Even a decline in house prices should not pose too much of a problem, says Mr Donald Kirkham, chief executive of the Woolwich Equitable Building Society. Building societies that lend over 80 per cent of the value of the property typically cover themselves by insisting that any borrowing in excess of 80 per cent is guaranteed by a major insurance company.

Though some of the lenders may have decided the rewards of increased lending outweigh the risks, others, like Sir Timothy Bevan, chairman of Barclays Bank, seem to have come to the opposite conclusion. He said as much earlier this year, when he announced Barclays' interim results—though some bankers have suggested his remarks may have indicated a touch of sour grapes at the fact that the results were not up to market expectations.

Yet others argue that increased lending has not been accompanied by greater risks. "Our intention is to expand our lending portfolio without relaxing orthodox lending criteria," says Mr Rhodes, "but by addressing more accurately what the customer wants.

"Our bad debt experience is good. We have no problem with our home loan experience and no feeling that there is any worsening of bad debt experience in the personal sector."

The explanation is that lending has been expanded not so much to people who would not have qualified for loans in the past, but by offering existing customers a wider range of services. NatWest has moved into areas traditionally the preserve of building societies and finance houses, offering loans for houses, cars and consumer durables.

But, although it is possible that NatWest has increased its lending by taking business from other financial institutions, it is not possible that all lenders have increased their lending by taking business from each other.

Another argument used by those wishing to quash the prophesies of doom is that consumers are not overborrowed at all. Although it is undeniable that personal-sector debt has increased, the personal sector has at the same time been building up its financial assets, albeit at a slower rate.

The main problem with this argument is that the personal sector is not one individual but a collection of individuals and it cannot be presumed that the people who have been building up the assets are the same as those who have been running up debt. There are no comprehensive figures to prove the case either way. However, evidence from the organisations that deal with debt problems on a micro level suggests that most of the debtors are not also asset-builders.

The number of people with debt repayment problems has increased in recent years.

It is difficult to disentangle which of various different types of debt are the most serious, because most people who go to citizens advice bureaux have multiple debt problems. However, the breakdown between different types of debt is as follows: fuel and telephone debts 25 per cent; consumer debts 40 per cent; housing debts 30 per cent; other 5 per cent.

An even more alarming picture is painted by Ian Poole, the organiser of the Kidderminster CAB. "In the last three to four weeks, the bubble has burst in Kidderminster," he says. "The number of enquiries shot up from 150 in August to 400 last month. County court summonses have increased dramatically."

The amounts owing have increased too. Ms Anne Andrews, development officer for Birmingham Settlement, which offers advice on debt problems, says: "Four years ago it was unusual for people to come in with debts of £5,000. Now it is the norm. We even get cases of up to £12,000."

Another change has been the way that debt has moved up the income scale. In the past, it was confined to the poor. Now accountants, solicitors, even managing directors and people described as "yuppies" are having debt problems. People in suburban areas, not simply those in the inner cities, are also being caught.

Although unemployment and marital problems are the main reasons that people find it difficult to service their debts, unscrupulous lending practices are also blamed. One worry is that much consumer credit is not being extended by the finance houses and other lenders directly, but by brokers or retailers.

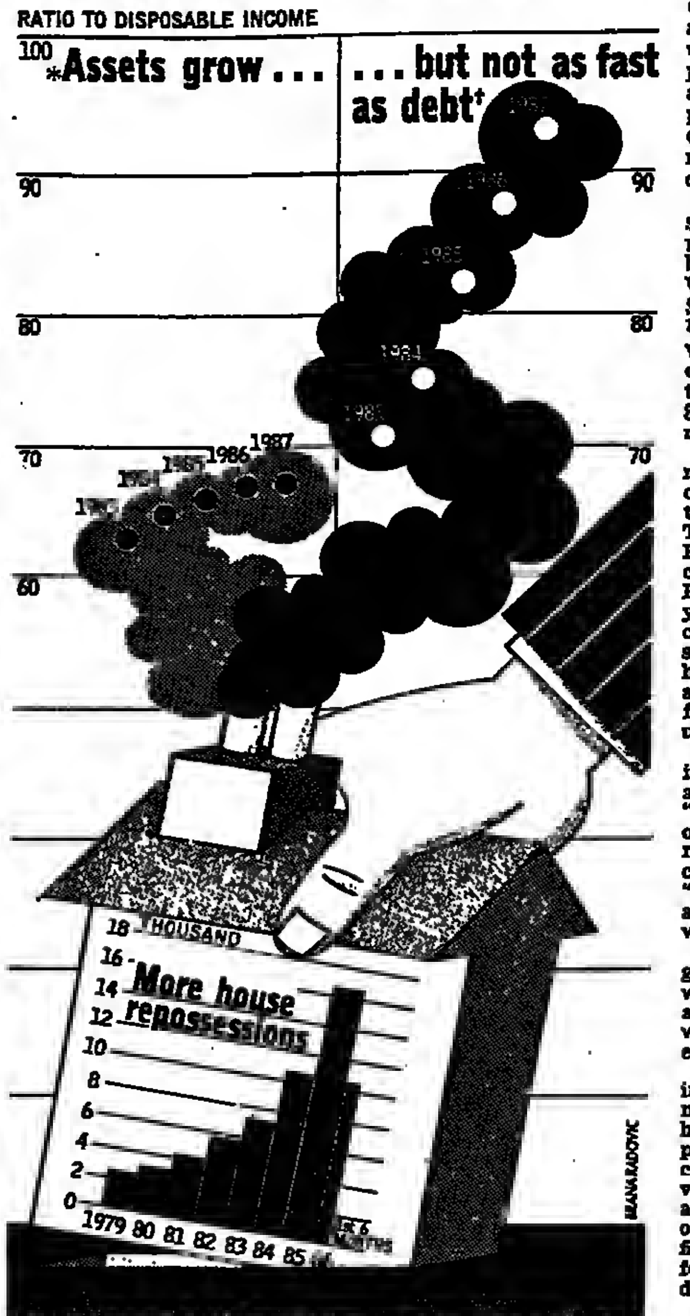
"Such people are pushing credit like there's no tomorrow," says Ms Andrews. "Anybody selling double glazing nowadays is not only selling his product but also the financing. It does not bother him if the borrower can't pay and loses his house."

There certainly are casualties and their number is on the rise. Even more have not yet fallen by the wayside but have increased their indebtedness to such an extent that they are vulnerable to a deterioration of their economic circumstances.

None of this, however, means that the financial system is in any real danger of collapse. For that to happen, it seems the UK would have to be subjected to a series of simultaneous shocks leading to a further rise in unemployment, a decline in real incomes, a large rise in interest rates and a collapse in property prices.

Personal finance

RATIO TO DISPOSABLE INCOME



*MONEY PLUS BUILDING SOCIETY DEPOSITS & OTHER LIQUID ASSETS LESS NON-MORTGAGE BANK LENDING & HP.
† TOTAL FINANCIAL LIABILITIES. DEBT & LIQUIDITY RATIOS ARE END-YEAR AT AN ANNUAL RATE.

Men and Matters

French industry seeks new patron

The Patronat, thet august confederation of French employers, is in the thick of an election campaign to choose a new leader in December. Yvon Chotard, the burly, Charles Laughton-like former deputy chairman of the confederation, is pitched against an unexpected challenger from a multinational company, Francois Perigot, head of Unilever's French subsidiary.

Chotard, a publisher, has been responsible for labour relations at the Patronat since 1972. He has long aspired to the top job. He was just defeated by Yvon Gattaz in 1981 and given the post of deputy chairman as a consolation prize.

But the "two Yvons," as they became known, never got on, and Chotard, with a *coup d'éclat*, resigned the day after the right won the legislative elections last March. The move was designed to free Chotard, a close ally of Jacques Chirac's neo-Gaullist RPR party, for his bid for the Patronat chair in December.

When Gattaz decided this summer not to seek a second term, the way seemed clear for Chotard's election. To reinforce his bid, Chotard has just published a book on the Petronat and the French patrons, setting out his ideas. He has always believed in close consultation and collective bargaining between a strong employers' organisation and the French trade union confederations.

But now, quietly, Francois Perigot, who has headed Unilever-France for the past 10 years, has entered the lists. Unlike Chotard, he plans no public campaign until the Patronat's executive council selects its preferred candidate on November 17.

The council's choice will clearly have an advantage, but will not necessarily make it to the top, since the Patronat's general assembly will take the final vote on December 16.

Perigot's decision to stand comes at a time when French executives of large multinationals suddenly appear to be finding a big demand for their services. Only a few weeks ago, the government appointed Jacques Maisonrouge, former head of IBM Europe, to the top civil service post in the French industry ministry.

Desk top drive

Agfa-Gevaert Group, the photographic subsidiary of the West German chemicals giant, Bayer, has appointed its youngest-ever divisional manager to run the British end of one of the growth sectors of its business.

Alexander Van Meeuwen, a Dutchman, is only 31. He was one of the pioneers responsible for setting up a new Business Imaging Systems (BIS) department in the group.

BIS is developing and bringing together a range of techniques to make printing from computers and word processors quicker and better.

The Agfa group is committed to developing light-emitting diode (LED) printers which, it believes, will oust the currently fashionable laser printer.

Van Meeuwen, whose divisional turnover in Britain is running at £22m a year, has been set a 15 per cent annual growth target.

But he believes that business will soar well beyond that when the LED printer starts to catch on from next year.

He foresees a big growth in "desk top publishing" — the linking of computers and appropriate software with a new generation of sophisticated printers to handle both words and graphics, so that brochures, newsletters, even books, can be turned out with professional printing quality by a single operator working at a desk.

After a master's degree in marketing at Rotterdam university Van Meeuwen joined Burroughs to sell computers.

"You don't have to convince me—I married the boss's daughter"

Two years later, in 1981, he moved to Agfa and started work on concepts — then highly experimental — for the automated office.

Hoare's double

Fizzing, effervescent, bubbling—stockbrokers Hoare Govett have turned to drink this week for words to describe the budding Euro-equity market.

The firm has just landed a share of two of the largest Euro-security deals seen, and both happen to be in the drinks business—the $460m convertible bonds issued by Elders IXL, the Fosters lager people, to finance the acquisition of John Courage; and the $1.5bn international equity issue by Coca Cola.

Hoare is helping to manage the UK tranche of both these issues which are being offered in investors in the US, Europe and the Far East, in Elders' case in several currencies as well.

The deals are being handled by two men who recently joined Hoare from County Bank: Robert Laird, the 38-year-old head of international corporate finance, and Normal Bergel, 37, an executive director.

A euro-equity, according to Laird, is "an equity security issued in one country and held by an investor in another country." He expects the market to develop rapidly now that it has become established, even if the recent setback on a major deal by Fiat prompts him to add "though not always smoothly."

Hoare's effervescence, he says, will continue. The firm is broker to the flotation of British Gas whose shares may also be offered abroad.

Body politic

It is not all macroeconomic policy at the Treasury. While some departments have the fate of the pound on their minds, others have things a little closer to the nation's—or at least their staff's—heart.

From now on, for example, female messengers may opt to wear black, quilted bodywarmers in place of their traditional cardigans, under the terms of an agreement between the Civil Service Union and the Treasury.

Making it all perfectly clear, the Treasury notice on this vital issue says: "This means that on entry to the grade, female messengers may opt for two cardigans, or one cardigan and one bodywarmer, or two bodywarmers.

"The frequency of renewal will be one cardigan or one bodywarmer, as appropriate, every 18 months."

The Treasury is telling all government departments to make arrangements "for bringing the bodywarmer option to the attention of the appropriate staff."

Observer

ECONOMIC VIEWPOINT

Chance to avoid national suicide

By Samuel Brittan

THE basic case for Profit Related Pay (PRP) was made by Michael Posner, until recently economic director of NEDO, when he told the Public Policy Centre that the country was committing collective suicide on wages. He said the Chancellor was "to be applauded for bringing forward proposals which in 10 to 15 years might have a significant and beneficial effect" in bringing greater reality to wage bargaining. There was so little long-term hope, that PRP was more than worth the risk.

The clue to the confused debate over profit-sharing is to distinguish very clearly between the reasons why companies have come to adopt profit-sharing as a business strategy and the very different economic reasons for supposing that profit-related pay may promote employment, which have been promulgated by Prof Martin Weitzman.

To a businessman a profit-related bonus—whether in cash or in shares—is an addition to the normal wage. It is a transfer from the holders of the equity in the company to the workforce.

Take an employer with a labour force where average earnings are—to take unrealistic round numbers—£100 per week. A profit-sharing bonus might raise this to £105. The employer might hope to finance the increase from improved productivity. But there is nothing at first sight to create more jobs—except in the very loose and general sense that an economy with a thriving corporate sector might be expected to do better on all aspects of economic performance.

The employment-promoting aspects highlighted by Prof Weitzman belong to an entirely different set of ideas.

Let us go back to the employee earning £100 per week. Under a Weitzman-type scheme, this would be divided in two. There would be basic pay of, say, £80. The rest would be made up by a profit-related element. This might be more or less than £20—and total pay more or less than £100—depending on the movement of profits.

The distinction between traditional profit-sharing and Weitzman-type PRP is blurred by the following considerations:

1—The profit-related formula might be generous enough to provide in an average year a bonus of £25 at the expense of the equity holder rather than £20. Indeed this give-away element might be essential as a sweetener.

2—Inquiries after the 1986 UK Budget revealed that employers did not think their workforces were prepared to put 20 per cent of their pay at risk overnight, even with a tax incentive. The most that could be hoped is that this proportion might be reached gradually as employees accepted profit-related increments in partial place of annual pay increases.

Why, then, should the more thorough-going ideas of Profit Related Pay promote employment? The basic case was put in the 1986 Budget Speech. "If the only element of flexibility is the number of people employed, then redundancies are inevitably more likely to occur.... One way out of this might be a move to a system in which a significant proportion of an employee's remuneration depends directly on the company's profitability per person employed. This would not only give the workforce a direct personal stake and interest in their company's success . . . it would also mean that when business is slack, companies would be under less pressure to lay men off," and they would be keener to take them on in periods of expansion.

Let us elaborate in terms of the example. If a worker is paid a straight wage of £100 per annum he will be taken on only if he adds more than £100 to value added. If instead, he is paid an £80 wage, and £20 as a share of overall profits, he will be employed so long as his marginal contribution exceeds £80.

A very hostile study by labour economists Blanchflower and Oswald is being used to knock down PRP. Yet their full paper admits: "We have not tested the hypothesis that cash profit sharing leads to higher or more stable employment"—and a test is more difficult than they suppose.

There is plenty of more informal evidence. Profit-related elements amount to up to one third of pay in Japanese industry and have provided an important shock-absorber in recession. In professional partnerships, and where remuneration is linked directly to the year's results, fluctuations in performance show themselves in variations in take-home pay rather than employment.

The main problem with PRP is that the hiring of new "outside" workers reduces the compensation of insiders—if you like it is a back-door pay cut to price people into work.

There are several reasons for supposing that the back-door might be easier to open than the front. In a squeeze or recession the insiders risk becoming outsiders; and they may well be glad of a system which, without painful renegotiation, will enable an automatic adjustment in pay to be made—and which would be self-reversing in recovery—to preserve jobs.

I find the "shock-absorber" argument conclusive. For if we can reduce the rundown in employment in bad periods, we will not only be able to cushion job fluctuations, but reduce the underlying long-term rate of unemployment.

The roots of the chronically high British unemployment are in the recession and overvalued pound of 1980-81. Once workers are dismissed (or new entrants or job-changers fail to find work) and stay out of work long enough in such a period, they find it extremely difficult to find new work. The entire rise in British male jobless since 1980 has been in those out of work for more than a year.

A second line of defence goes back to employee involvement (the "boy scout" aspects). If productivity and efficiency all round are increased, then absolute pay per head may still be maintained or raised, despite dilution with outsiders.

Third, a classic method of coping with the insider-outsider problem is a two-tier wage system, which has been used in some American corporations, notably the airlines.

A policy of offering new workers the same basic pay (for given qualifications) as existing ones, but not initially making them eligible for the profit-related element might be more difficult to oppose than other kinds of two-tier systems. The Green Paper allows for a qualifying period for PRP, which contrary to popular belief can be as long as the employer cares to specify.

Fourth, Professor Weitzman himself believes that if a "critical mass" of firms went over to PRP there would be no downward pressure on real pay, because full employment would prevail; and the competition among employers would boost basic pay and suck in new workers in vacuum-cleaner fashion. But I would not like to rely on this defence, especially when we are thinking of incremental reform rather than revolutionary transformation.

If you add together the cushioning effects in recession, the "boy scout" effects and the promotion of two-tier pay, the *prima facie* case for trying PRP becomes overwhelming.

* * *

There is, however, one peculiar aspect of the way in which the Chancellor and his officials have approached PRP. This is the importance attached to employer reaction.

Can employers, who are and should be mainly concerned with running their own businesses, be expected instantly to embrace the wider economics of PRP as soon as the British Treasury merely hints at them?

There is, also, a much cruder point. If take-up is high then the wider benefits will be obtained. But if take-up is low, the cost to the Exchequer will be low. So for once the Chancellor wins either way.

The more serious—but easily remedied—defect of the Green Paper, is that in softening the terms, the Chancellor has reduced the tax incentives to dangerously low levels.

Exemption from tax would, in the Green Paper, apply to a quarter of PRP received by each employee, up to a limit of 5 per cent of total remuneration or £1,000 per annum, whichever is the lower. In a scheme starting with a 5 per cent PRP, the relief would be just over 70p a week to a worker on average pay.

The cheapest and most effective way of increasing the incentive is to have a sliding scale of reliefs starting with the present proposals but rising with the PRP component until the latter reaches, say, 20 or 25 per cent of gross pay. Thus the "dead weight" of existing firms with modest profit-sharing moving to qualify would attract no more than Green Paper reliefs. The higher reliefs would go only to additional PRP, which is more likely to be a substitute for normal pay.

There are, however, siren voices inside Whitehall who would like the tax concession dropped rather than extended on either of the following grounds:

- The discussion that the Budget speech and Green Paper promoted has already done enough to stimulate profit-sharing.
- Direct schemes to help the long-term unemployed will do more to reduce the unemployed number per pound spent than PRP.

The first objection shows a misunderstanding or disbelief in the wider spillover benefits. Even if the discussion so far does encourage profit-sharing, it will be of the traditional sweetener kind.

Personally, I would favour both direct job schemes and PRP. But my own political hunch is that it would be very easy to kill off PRP without providing more direct job creation in return.

In the case of incremental employment subsidies, they are by their nature temporary. If long continued they would lead to abuse and widespread distortion. The jobs produced by PRP are on the other hand part of the normal economy.

The revenue cost of PRP would take time to build up. If, by 1990, 2m workers draw 5 per cent of their pay in PRP, 1m 10 per cent, and half-a-million 20 per cent, the take-off will have been quick. But total gross cost would be less than £300m per annum. By comparison, a 1 per cent cut in the basic rate would cost £1.3bn, nearly all of it by 1987-88.

Indeed, it is probable that provided the 1987 Budget is seen as sound in other respects, the financial markets would accept a slight increase in Government borrowing due to PRP as a long overdue contribution to structural reform. So there is not really a trade-off with anything, except conventionality, narrow-mindedness, and blinkered vision.

A simple example of the effect of profit sharing

	Firm A		Firm B	
Revenue		240,000		240,000
Other costs		40,000		40,000
Basic wage costs		100,000		80,000
Profits before bonus		100,000		120,000
Bonus		0		20,000
Profits		£100,000		£100,000
No. of workers		1,000		1,000
Pay per worker				
basic		100.00		80.00
bonus	0%	0.00	16.7%	20.00
total		£100.00		£100.00
Effect of employing 10 extra workers				
Revenue		241,400		241,400
Other costs		40,400		40,400
Basic wage costs		101,000		80,800
Profits before bonus		100,000		120,200
Bonus		0		20,033
Profits		£100,000		£100,167
No. of workers		1,010		1,010
Pay per worker				
basic		100.00		80.00
bonus	0%	0.00	16.7%	19.83
total		£100.00		£99.83

Source: Lloyds Economic Bulletin, May 1986.

Lombard

The UN's lack of authority

By Jurek Martin

CONSIDER THE present state of two institutions and their sits vac. The International Monetary Fund needs a new managing director. There is no lack of good, qualified candidates, and two with impeccable credentials, Mr Onno Ruding, the Dutch Finance Minister, and Mr Michel Camdessus, Governor of the Bank of France. Finance ministers from around the world could not decide in Washington earlier this month who should get the nod and neither could the European Communitys in Strasbourg this week. Lobbying is intense and the bookies are laying off.

Until last week, the IMF's parent, the United Nations, also needed a new boss. Quietly last Friday, its powers-that-be, the Security Council, approved a second five-year term for Mr Javier Perez de Cuellar from Peru. Only months before, the incumbent secretary general had undergone heart bypass surgery and, not so long before his operation, was still maintaining that he would only serve one term. Yet there has been virtually no debate about the succession, little visible lobbying and even less public interest.

This is a curious, and sad, state of affairs. The IMF's history is that the man who runs it has real, if not unlimited, authority. It is a tradition that a European hold the reins and Europe has generally produced candidates of real quality for the office. But the strength of the IMF also lies in the calibre of its staff and, critically, in the involvement of its principal member nations.

At present, no international organisation has greater need of a dynamic head, a better quality staff and greater international commitment than does the United Nations. It is being battered financially, hammered ideologically and demoralised generally. Its good works are being discounted and its waste and excesses, both at headquarters and in its subsidiary agencies like UNESCO, given heavy prominence.

To a degree, the UN is the victim of circumstances beyond its direct control. It cannot compel members to pay their dues on time, especially when the principal delinquents have been the two superpowers. The American right's long disaffection with the UN always presaged a rough ride in an administration as conservative as Ronald Reagan's (indeed it might have been far worse than it has been).

But the institution itself does have certain housekeeping responsibilities and, in the exercise of these, it has been increasingly deficient. Ten years of intense internal politicisation under Kurt Waldheim have been succeeded by a regime of complaisance under Mr Perez de Cuellar, under which the bureaucracy has been allowed to run riot at the expense of policy and innovation. There have been simply far too many scandals for comfort and they have not been offset by the diplomatic and creative initiatives still expected of the UN. Its moral authority seems to have gone missing.

Such modest push as there has been for reform has come from the outside, not from the UN itself, and from unlikely nations, such as Japan, and not from those with the clout to bring about change.

Mr Perez de Cuellar was returned, not because he had done his job well by any reasonable yardstick, but because he had made his peace with Washington. Moreover, it did not suit any of the other major UN contributors, including the Soviet Union, to cross swords with the US over this issue. This may be the line of least resistance, or realpolitik, but it is also cynical and potentially expensive, because unless and until someone gets a grip on the UN, national subscriptions are not going to reap a respectable return.

Mr Perez de Cuellar is not personally to blame for the UN's current parlous plight. But the record suggests that he is not the man to pull it out of the mire, unless he has the backing of the world's major powers, which is unlikely to be forthcoming. Better candidates exist — the loser in the IMF race, for a start, or ex-president Obasanjo of Nigeria or Prince Sadruddin Aga Khan. The second coming of Robert McNamara would not come amiss.

Letters to the Editor

Protecting the investor

From Mr K. Woodley

Sir,—At the end of July, you published the results of a survey my firm commissioned on the attitudes of senior executives in international investment businesses to the regulatory proposals under the Financial Services Bill. This survey certainly added support to the general disquiet at the number of amendments being introduced and the pressure that this was putting on the upper house. In the words of one respondent: "the fundamental flaw is that it's designed for the Aunt Agathas, and not the professional investors."

I cannot say that, as a member of the accountancy profession, the Bill is entirely satisfactory. As a member of a firm closely involved with the City for many years, I am, however, convinced that the legislation, however complex seeming, is absolutely necessary, and that it is essential that the Bill is not lost. It is too easy to forget that many areas of investor protection are in urgent need of reform and that the existing legislation is out of date and has not kept up with the developments.

The Stock Exchange has taken the lead and introduced a sweeping series of rule changes to cope with the new situation and has moved with the times in proposing the merger with the international securities community at one end of the scale and with the formation of the third tier within the Exchange at the other end. There are, however, many areas of operation outside the Stock Exchange which urgently require a new legislative framework and it will not be good enough to leave unregulated all the other areas which Professor Gower identified in his report as long ago as January 1984.

At this late stage there is no alternative to the type of regulatory structure the Bill aims to set up, which could provide the necessary response and adaptability to meet constantly changing situations. And let us not forget the Aunt Agathas.

Keith S. Woodley.
Deloitte Haskins and Sells,
128, Queen Victoria St, EC4.

The Phoenix initiative

From the Chairman, Redland

Sir,—On October 13, you published a report by your Regional Affairs Editor suggesting that the Phoenix initiative had been severely damaged by the withdrawal of Sir Nigel Broackes, whom I approached earlier this year to take on the chairmanship of its steering committee. After discussion with Ministers, Sir Nigel advised Mr Nicholas Ridley, the Secretary of State, on July 10 that he did not wish to take on the task.

The Phoenix initiative, meanwhile, has continued to attract growing interest and support and to make progress towards bringing viable urban development schemes to fruition. The many people and organisations who are working together under the Phoenix initiative recognise that a serious endeavour of this kind does not depend on any one individual. In any case, it appears to me to be mischievous of your correspondent to use comments made by Sir Nigel at the time of his withdrawal four months ago to lend spice to his entirely erroneous suggestion that the Phoenix initiative is collapsing.

Whether our efforts will ultimately prove successful depends largely upon the Government exercising its political will to tackle urban regeneration seriously and with an appropriate measure of public funding.

(Sir) Colin Corness,
(Chairman, Phoenix Initiative).
Redland House,
Reigate, Surrey.

Pittsburgh points the way

From Mr D. Redfearn

Sir,—It is interesting to note (Oct 10) that Malcolm Rifkind has made a pledge on early rates reform; but, in view of what the Government proposes, "reform" is hardly the right word.

Here a comparison is in order with an article (Oct 7) by Nick Garnett, entitled: "Urban regeneration: Pittsburgh points to some possible answers." It would seem that unemployment in Pittsburgh is down to 8.6 per cent, and still dropping, whereas in our conurbations it is "cast in stone" between 14 and 22 per cent. Mr Garnett attributes this to a greater willingness to invest in Pittsburgh's future, but fails to enquire why Pittsburgh has been chosen rather than the adjoining Monongahela Valley, where the steel mills are "rusting hulks."

The answer to this is to be found in "Congressional Record" for February 20 1985, where Congressman William J. Coyne, member of Pittsburgh City Council from 1973 to 1980, describes how a new local property tax, mainly on land values, discourages the practice of holding land unused, and thereby makes it available on easier terms. He has no hesitation in saying that this phenomenon is intimately connected with Pittsburgh's new prosperity.

In the light of all this, how shall we decribe our own Government's "reform"?

David S. Redfearn.
15 Fennell's Close,
Eastbourne, Hants.

Risks of nuclear accidents

From Sir Christopher Cockerell

Sir,—Mr Robin Hurst (October 13) referring to my article (October 8) accuses me of making "a schoolboy howler," but he is not correct. If the chance of a nuclear accident for each station is, on average, once in 30,000 years, then if there are 30,000 nuclear stations of his letter there will be, on average, 30,000 accidents in 30,000 years. That is, on average, one accident per year. What a thought. Of course, the accidents will not be evenly distributed in time, like the example of the electric light bulbs which I gave in my article.

The life of a nuclear power station is 50 years (or less). If therefore we go entirely nuclear and have 50 stations running, then this means that an old station will have to be demolished and got rid of, and a new station built, every year for ever. Would anyone like to buy a contaminated old station site cheap?

(Sir) Christopher Cockerell,
16 Prospect Place,
Hythe, Southampton.

Early closing markets

From Mr V. Harrison

Sir,—The response by the heads of the London Commodity Exchange and the International Petroleum Exchange (October 10) to my letter complaining about the early closing of certain commodity markets was as predictable as it was unhelpful. They state that they have had no adverse reaction to the recent changes — my information is to the contrary.

Within 24 hours of my letter being published, three major commodity brokers had contacted me to agree wholeheartedly with my sentiments and one of these reported that he had already made his own complaints to the chief executive of the IPE but had them brushed aside in a brief letter.

Why is it that the people who actually control the commodity markets operate them for their own convenience and not for that of their customers? The early closing rule could be easily amended to meet all their customers objections by simply stating that in the event of a commodity price moving into new ground in the final one-minute call, a further one minute would be allowed and so on. This would allow stops that had been triggered by this new move to be executed. This might result in several extra minutes of busy trading being added to the day's business, but isn't this what the exchanges are supposed to want?

V. A. Harrison,
Ashley Harrison and Co.
94 High Street,
Henley-in-Arden,
Solihul, W Midlands.

Wapping ballots

From the Imperial Father, National Graphical Association Chapel, Financial Times

Sir,—I refer to your report (October 9) that, following the decisive rejection of his latest offer by his former workforce, Mr Murdoch intends to invite his ex-employees to apply for compensation on an individual basis.

What is abundantly clear from this is that after pillorying the miners for not having a ballot before they went on strike, the only ballots News International and its supporters approve of or accept are those with results that are agreeable to them.

Tom McKay.
Bracken House,
Cannon Street, EC4.

Working party members

From Mr J. Spellar

Sir,—Your report (October 4) of my speech on re-selection at the Labour Party conference slightly misses one of the key points I was trying to make. Many members put a great deal of effort into politics in terms of canvassing, delivering and undertaking the vital work of keeping the party in contact with the electorate. They may not, however, for a variety of domestic or employment reasons, be able to attend the regular monthly meetings of the general management committee. At the same time some of those who are most assiduous in their attendance at committees are not noted for their presence on the doorstep. Furthermore, the concentration on committee members starts to create a gap between them and the rank and file members of local parties.

John F. Spellar,
115 London Lane,
Bromley, Kent.

FINANCIAL TIMES

Thursday October 16 1986

Neue Heimat dilemma for German banks

Perspective

David Marsh in Bonn examines a shaky empire which cannot be allowed to slide into bankruptcy

WEST GERMAN banks, normally smooth practitioners of economics and political power plays, are facing a bumpy ride over their involvement with Neue Heimat, the country's scandal-scarred property group.

The banks are in the unenviable position of holding the key to the fate of Europe's biggest and most ramshackle private housing concern.

Neue Heimat, saddled with DM 17bn ($8.6bn) of debts and a reputation for unsavoury dealing and bad management, has been controlled since the beginning of the month by a little-known Berlin bread company entrepreneur, Mr Horst Schiesser, who took it over from the German trade union federation, DGB, in a transaction of spectacularly murky proportions.

The shaky empire has been teetering on the edge of bankruptcy for some time.

But too much is at stake to allow the concern to slide over the brink – not only the future wellbeing of Neue Heimat's hundreds of thousands of low-rent tenants but also the solidity of the banks' huge portfolio of property loans throughout the German economy.

Mr Schiesser has acted to reassure creditors by declaring that the concern could be returned to financial health within two to three years.

However, speaking after the first board meeting of the group since he took over control from the trade union federation, Mr Schiesser said that both banks and the Government would have to make "sacrifices" to help in Neue Heimat's restructuring.

He also tried to dampen down worries that Neue Heimat could be forced into hasty sales of some of its properties by stating that tenants in the 190,000 Neue Heimat homes which the new owners intend to keep did not need to worry about their futures.

The imbroglio surrounding Neue Heimat, which owes money to about 150 banks, including a cluster of important foreign institutions, represents the domestic German equivalent of the Third World debt crisis.

As banks involved in lending to Brazil or Mexico have found out to their cost during the past few years, creditors' freedom to manoeuvre is in inverse proportion to the scope of the consequences which would be touched off by collapse of the debtor.

And leading German banks are preparing for their first meeting with Mr Schiesser in the Frankfurt Sheraton hotel on Friday are uneasily aware that they – along with, probably the German taxpayer – will have to make sacrifices to keep the Neue Heimat house of cards from tumbling down.

The Neue Heimat affair is centred on 280,000 low-rent homes scattered largely among big apartment blocks around the country.

They were built up by the trade union-owned concern with the aid of tax concessions offered by successive governments to further 30 years of post-war housing boom.

Along with the banks, the central and estate (Länder)governments are also exposed to Neue Heimat with loans and guarantees totalling DM 6bn.

And, as the campaign to the January general elections gets under way, the affair has become a political hot potato which could have damaging consequences for both the left and the right.

Mr Helmut Kohl, the Chancellor whose centre-right coalition stands on the whole to benefit from evidence of further disarray in the trade union movement, has labelled the change of ownership of Neue Heimat as a "fraud on the people."

Mr Johannes Rau, the opposition Social Democratic party (SPD) candidate for the chancellorship and Prime Minister of the state of North Rhine Westphalia which has been a contender to buy a regional chunk of Neue Heimat homes, admits he has been "duped" by the sale.

Yet the affair could still rebound on the Government by forcing it to make financial concessions to Mr Schiesser. This would be a U-turn from its previous commitment to give the concern no more state aid.

Mr Schiesser, who acquired Neue Heimat for the symbolic price of DM 1 from the DGB's octopus-like holding company, the BGAG, faces the delicate balancing act of managing assets whose marketable value is some way short of the concern's overall debts.

But, despite the opacity of his own business affairs, centering on his Berlin baking group but also extending into property, export-import deals and leasing, he is clearly banking on being a more acceptable partner to win funds from the Government than the trade unions. He already appears to have won pledges of DM 1.6bn in cash injections and loans from the BGAG.

Rental income on the homes is only a fraction of Neue Heimat's annual debt services bill of several billion D-Marks, requiring Mr Schiesser to raise cash by selling off as many homes as possible.

This is where Mr Schiesser, who yesterday met Mr Oscar Schneider, the Building Minister in the Bonn Government, for his second round of talks within a week, is making his pitch for state help. Mr Schiesser knows that his bid for Government aid for tenants to buy their homes – which would amount to indirect bailing out for Neue Heimat itself – is unlikely to fall on deaf ears.

Illustrating the interest of all sides in not rocking the boat, any forced sales of Neue Heimat homes, for instance by banks attempting to call in their credits, could have calamitous consequences.

Driving Neue Heimat into bankruptcy – a move which could entail the disorderly unloading of chunks of the concern's assets split up into regional subsidiaries around the German Länder – could lead to a self-generating slide in already battered German property prices.

This would not only accentuate Neue Heimat's liquidity problems. It would also, by reducing the value of the collateral, weaken considerably the security of hundreds of billions of D-Marks of mortgage lending by German banks. If the slide got out of hand, it could have grave repercussions on the whole German banking system.

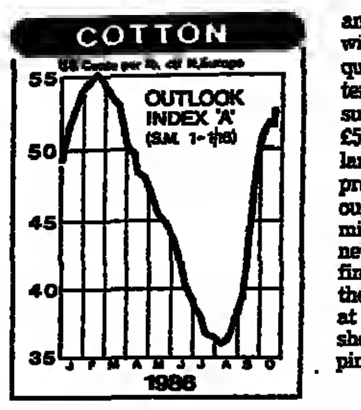
Or, to place legal arrests on Neue Heimat assets or to call in loans, have raised the spectre among Düsseldorf and Frankfurt bankers of an untidy free-for-all as banks scramble for cover. Behind this is the banks' fear that, after the transfer of ownership, they could be left holding the debts – and Mr Schiesser the assets.

THE LEX COLUMN

Japan sticks in forward gear

The view that the UK and the US will be compensated for their currency depreciation by more favourable terms of trade against Japan appears more far-fetched than ever. Witness yesterday's interim figures from Honda Motor, where consolidated net income indeed fell by 44 per cent to Y46.2bn, reflecting the damage of the sharp appreciation of the yen. Yet sales fell by a mere 4 per cent. That suggests that overseas sales in local currency terms grew substantially, as Honda fought to maintain its share of the market. It is almost dumping at one remove, but the beauty of it, from the point of view of Japan Inc, is that the local competitors in the export markets will not see the price cutting, and will therefore not squeal.

A UK preview of this trend was seen in the unlikely form of the Inchcape interim figures a couple of weeks ago, when the British company's Toyota distribution business produced an extra £3m or so of trading profits. It is clear that the Japanese are prepared to protect not only the ultimate customer in the West, but even the Western middlemen. Yesterday, Honda's vice president warned of the "severe" influence of the rampant yen on full year figures: reported yen sales could be down by as much as 5 per cent.



Exco's IDB

Exco's rush to put a further £8.5m capital at the disposal of its gilt edged inter-dealer broker smacks of sabre-rattling. If the decision was based purely on one dress rehearsal of unrestricted trading when the market was buffeted by the volume of news usually spread over a couple of weeks, it must be premature. This weekend's practice, with market makers restricted in their dealing, capital ratios being applied, and no more than the usual daily events plus a US durable goods figure to cope with, might give a truer picture of how much business the new gilt edged market will do.

Exco's claim of a substantial share of the business at the first rehearsal, turning over £2.25bn of stock, would indeed have required much more capital than the £4.2m it already has in place if the 200 times capital limit for daily trading had applied. But estimates of total gilt edged market turnover, at least in the early days of the new regime, are much smaller than the Exco figure implies. Even Exco is not actually handing over the extra cash to its IDB, but leaving it more profitably on deposit until called for.

Abbey Life

Anyone who wanted to buy Abbey Life shares has had such ample opportunity to do so that it is rather hard for the price to make much headway. After the second chunk was sold in June at 190p, the knowledge that there would be no more placings was counter-balanced by the simultaneous dousing of bid hopes. So it will take rather more than a 13.6 per cent increase in the interim dividend, to 2.5p, to get the shares moving again, and they fell 3p to 188p yesterday. Nor, on the face of it, will the 3 per cent fall in first-half new initial commissions, which are the main determinant of profits growth, do the trick.

Abbey can point to distortions in the comparative figures and claim a high rate of growth in the second and third quarters which compare with a dull patch in 1985. The fourth quarter of last year was rather better, and for the year the total of such commissions might reach £50m against £46.4m last time. The larger sales force armed with a product range showing fewer gaps ought to help and next year Abbey might be a net beneficiary of the new Financial Services Act. If the final dividend follows the interim the yield will be close to 6 per cent, at the top end of the sector. That should at least stop the shares slipping any further.

Aitken Hume

While Aitken Hume International was fending off the bid from Tranwood in the summer, its US fund management subsidiary was frequently referred to as the jewel in its crown. Judging from the company's interim results, almost everything else in the diadem is paste.

Were is not for the £3m contribution from National Securities and Research, there would have been a pre-tax loss. Aitken Hume has found another business gone sour to lump into the now familiar category of discontinued activities: leasing. The loss-making UK fund management looks like a case for similar treatment, but is being given more string by the new management.

Although the 64 per cent profits growth from NSR is gratifying, that growth is pretty much in line with the competition. Aitken Hume should make at least £4.5m pre-tax this year but that puts the share price, unchanged at 143p, at a heavy premium to such sectoral blue chips as Henderson Administration and Templeton.

This anomaly can hardly be explained away by denoting Aitken Hume a management-led recovery stock. And the now well-publicised tendency of NSR's trustees to frustrate any change of ownership makes another bid most improbable.

Pretoria warns front line states on ANC

By Anthony Robinson in Johannesburg and Tony Hawkins in Harare

GENERAL Magnus Malan, the South African Defence Minister, yesterday stepped up the psychological pressure on the frontline states with a warning that they had to choose between support for the African National Congress (ANC) or co-operation with South Africa.

He also described Mozambique as "hovering on the brink of collapse," and he denied that South Africa had continued to support Mozambican National Resistance (MNR) forces which are continuing their rebellion against the Government of Mr Samora Machel.

In an interview with South Africa's state-run radio he attacked President Kenneth Kaunda of Zambia for allowing the ANC to run its exiled operation from offices in Lusaka. President Kaunda, he said, "had to realise that he could not play host to the ANC and the South African Communist Party and still be recognised as e man of peace."

Referring to last May's simultaneous South African attacks on alleged ANC bases in Botswana, Zambia and Zimbabwe during the visit of the Commonwealth Eminent Persons Group, General Malan added "Our fighter planes over Lusaka were a direct message for him to decide between peace or confrontation."

The ANC, he said, "operates from the so-called frontline states to launch indiscriminate attacks on South Africa's people. They are therefore co-responsible and should be aware of the consequences."

President Kaunda and Prime Minister Robert Mugabe nf Zimbabwe, concerned at the deteriorating situation in Mozambique and support by Malawi for the MNR, met yesterday to discuss the developing crisis in Mozambique. President Kaunda said afterwards that no immediate action was contemplated against Malawi. The two countries want to make more use of the Mozambique port of Beira for trade to reduce dependence nn South African transport links.

The crisis in Mozambique was underlined late yesterday when a guerilla bomb derailed a seven-carriage train

Eyes on Zambian currency auction, Page 3

All N-powers 'may have to join US-Soviet arms cuts'

BY DAVID BUCHAN AND ROBERT MAUTHNER IN LONDON

MR GEORGE SHULTZ, US Secretary of State, yesterday served notice on other nuclear states such as Britain and France that they might be asked to join the US and the Soviet Union in reducing nuclear arsenals.

Mr Shultz told European journalists who questioned him on a Worldnet satellite press conference that the US had insisted at the Reykjavik summit that the British, French and Chinese nuclear forces not be included in any US-Soviet accords.

"But if we get our levels so sharply down, as was tentatively agreed at Reykjavik, and we make further reductions, then we assume other countries will eventually join in," he said.

"If there is to be a world without nuclear weapons then all nuclear powers would have to take part."

Mr Shultz was referring to the tentative US-Soviet accord on long-range strategic nuclear weapons which provides for a 50 per cent cut on both sides in a five-year period. President Reagan also proposed a total elimination of all stretegic missiles and warheads in a 10-year period.

The British and French positions, which are broadly similar, are that their own nuclear deterrents not be counted as part of a bilateral US Soviet deal. It is only after the two superpowers have agreed on substantial reductions of their own nuclear weapons that France and Britain would consider negotiating reductions.

That position was accepted by Mr Mikhail Gorbachev at Reykjavik but the prospect of an eventual cut in their strategic nuclear forces clearly presents the British and French Governments with some difficult decisions.

Mrs Margaret Thatcher, the UK Prime Minister, is likely to discuss this problem with Mr Francois Mitterrand, the French President, during his lightning visit to London today.

Mr Mitterrand is coming to London at his own request, mainly to discuss preparations for the European Council meeting in London in December, which will be chaired by Mrs Thatcher, the disappointing outcome of the Reykjavik summit will certainly figure on the agenda.

Mrs Thatcher is also expected to go to Washington for talks with President Ronald Reagan within the next two or three months, though no date has been fixed. The meeting was originally arranged to enable Mrs Thatcher to discuss arms control and East-West issues with the US president ahead of a full US-Soviet summit in Washington. Now that a Washington summit appears to have been postponed, Mrs Thatcher's visit is less urgent.

Meanwhile, the first US-Soviet arms control talks after the Reykjavik summit resumed in an atmosphere of confusion over Soviet intentions. While Mr Viktor Karpov, the chief Soviet nuclear arms negotiator, repeated in Bonn what he had said in London the night before – that there was no firm link between an agreement on medium-range missiles and President Reagan's Star Wars programme – President Rau Alfonsin of Argentina said exactly the opposite on a visit to Moscow.

After meeting Mr Gorbachev, President Alfonsin said the Soviet leader had made it clear to him that the arms proposals put forward by the Soviet Union in Reykjavik were an inseparable package.

Heads for London markets announced

By Clive Wolman in London

MR ANDREW LARGE, chief executive and deputy chairman of the Swiss Bank Corporation International, and Sir Nicholas Goodison, chairman of the London Stock Exchange, are to become the regulatory heads of the newly merged securities markets in London.

The merger of the stock exchange and the International Securities Regulatory Organisation (Isro), will create a unified exchange and regulatory body whose governing councils will, for the first time, include a large representation of overseas financial institutions. Further details were revealed yesterday of the proposed merger, to be approved in meetings on October 29 for Isro members and November 11 for the stock exchange.

Barring any grassroots revolt, the recognised investment exchange (RIE) of the newly merged organisation will be headed by Sir Nicholas Goodison, and its self-regulatory organisation (SRO), called the Securities Association, will be headed by Mr Large. Mr Ian Steers, the chairman and the leading founder of Isro, said yesterday that he was not interested in heading the new organisation. "Promoters are not necessarily the best people to run things," he said.

A letter sent out yesterday to Isro members by Mr Jonathan Agnew, Isro's chief executive, proposes a list of 10 members for election to the council of the Securities Association, including one chairman.

The council will begin operating immediately after the stock exchange meeting on November 11, with 10 Isro practitioners, nine stock exchange practitioners and six lay members – three appointed by the stock exchange and three by Isro.

Mr Agnew's letter also contains a list of 15 Isro nominees to the Council of the Stock Exhange RIE, which will have e total membership of 31. The RIE Council is to start operating after the end of the current stock exchange quarter on December 24.

Mr Large and Mr Stanislas Yassukovich, chairman of Merrill Lynch Europe, are the only two Isro nominees for both councils. The other Isro nominees include three UK merchant bankers; 10 representatives of North American banks and securities houses; four representatives of Japanese banks and securities houses; three European bank representatives and one Australian. The members of the Councils are expected to serve for about two years before new elections are held.

Isro itself is to change its name and constitution and beome the Securities Association while the stock exchange will become the RIE. The corporate continuity is being preserved for tax reasons.

The new councils will also draw up rule-books for the RIE and the SRO which have to be approved by the Securities and Investments Board (SIB), the City of London regulatory overseer, early next year. At present, three joint working parties of stock exchange and Isro members are working on the conduct of business rules, the capital adequacy requirements and the rules for client money segregation.

Lawson to reassure bankers

Continued from Page 1

And despite the fact he began his own career as a financial journalist, he frequently holds the reporters who attempt to chart the progress of his economic policies in similar contempt. "It comes of not being desperate for e 'good press,'" says a rather frustrated aide.

The financial markets, however, cannot be so easily brushed aside.

When Mr Lawson was appointed Chancellor after the 1983 election he was quick to consolidate his reputation as a tough monetarist. As a junior Treasury minister he was the author of the Medium-Term Financial Strategy introduced by the Government after its 1979 election victory. That underlined his commitment to cutting public spending and borrowing, controlling the money supply and squeezing out inflation.

The MTFS, with targets for all those things religiously updated each year at the time of the Budget, was conceived as both the instrument and reflection of the Government's break with the Keysian past.

Put simply, Mr Lawson's philosophy is that the Government must control inflation through its macro-economic policies, but the only way to improve real output – and create jobs – is through improving the supply-side performance of the economy.

Since the initial brief honeymoon with the markets, however, he has found himself plagued by the regular sterling crises that have dogged every British Chancellor since the 1960s.

In part they can be blamed on events outside his control – the collapse in oil prices or a year-long miners' strike. But there have also been fundamental doubts about Mr Lawson's commitment to the financial straitjacket of the MTFS.

With inflation down to (by British standards at least) relatively low levels, Mr Lawson often gives the impression that he is more interested in the supply side problems of Britain's economy than in further progress on inflation.

In fact, the Chancellor has never been the monetary purist that some imagined. And now he dismisses the idea that he has given up on inflation as a confusion of strategy with tactics.

The analogy he chooses is that of e ship's captain who charts in advance his course for a long voyage. He has to adapt it from time to time to cope with changes in the weather, tides and currents, but he still arrives.

It is difficult, however, to escape the feeling that Mr Lawson finds his real intellectual stimulation in the idea of a supply-side revolution in Britain, rather than in the numbers of the MTFS. Curbing union power, tax reform and reductions, deregulation, privatisation and wider share ownership are the things he sounds passionate about.

It is in these areas that he frequently disagrees with Mrs Thatcher. She has an instinctive regard for special interest groups. Mr Lawson would like to take away their privileges.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	25	77	Dubrovnik	S	21	70	Malta	F	25	77	Rhodes	S	21	70
Algiers	F	28	82	Edinburgh	R	13	55	Manchester	R	12	54	Rio de J'o	C	25	77
Amsterdam	C	18	64	Faro	F	22	72	Manila	S	32	90	Rome	S	24	75
Athens	F	20	68	Florence	R	22	72	Melbourne	–	–	–	Salzburg	S	17	63
Bahrain	S	36	97	Frankfurt	R	17	63	Mexico City	C	24	75	San Francisco	S	29	84
Bangkok	S	32	90	Funchal	F	21	70	Miami	C	30	86	Seoul	C	17	63
Barcelona	F	23	73	Geneva	S	19	66	Milan	S	19	66	Singapore	F	31	88
Beirut	–	–	–	Gibraltar	C	21	70	Montreal	S	18	64	Stockholm	F	11	52
Belfast	–	–	–	Glasgow	F	13	55	Moscow	S	13	55	Strasbourg	R	16	88
Belgrade	S	16	61	Guernsey	C	13	55	Munich	S	13	66	Sydney	C	19	66
Berlin	S	16	64	Helsinki	C	8	46	Nairobi	C	25	77	Taipei	C	25	77
Biarritz	C	19	66	H. Kong	S	30	86	Naples	S	25	77	Tangier	C	23	73
Bombay	S	31	88	Innsbruck	S	18	64	Nassau	R	32	90	Tel Aviv	S	28	82
Bordeaux	F	20	68	Inverness	F	13	55	New Delhi	S	31	88	Tenerife	C	24	75
Brussels	F	20	66	Islamabad	C	28	82	New York	S	23	73	Tokyo	S	24	75
Budapest	R	16	61	Istanbul	F	16	64	Nice	C	22	72	Toronto	S	13	55
B. Aires	S	27	81	Jakarta	C	31	88	Nicosia	S	27	81	Tunis	F	28	82
Cairo	S	29	84	Jersey	C	14	57	Oporto	F	20	68	Valencia	F	23	73
Cape Town	S	19	66	Jo'burg	F	28	82	Oslo	C	11	52	Venice	S	19	66
Caracas	C	25	77	Lima	C	20	68	Paris	F	19	66	Vienna	S	15	59
Casablanca	F	23	73	Lisbon	S	21	70	Peking	C	18	64	Warsaw	S	16	61
Chicago	S	9	48	London	C	13	88	Prague	S	14	57	Washington	S	8	46
Cologne	S	22	73	Los Angeles	S	31	88	Reykjavik	H	3	37	Zurich	S	16	61
Copenhagen	F	13	55	Luxembourg	F	17	63								
Corfu	F	17	63	Madrid	C	15	59								
Dallas	–	–	–	Majorca	S	25	77								
Dublin	R	13	55	Malaga	F	22	72								

Readings at mid-day yesterday:

C–Cloudy D–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

Shell opposes S. African policies

Continued from Page 1

Mr van Wachem says it is "impossible for the concerned observer not to feel that the South African Government's concept of change is far removed from the aspirations of the majority inside South Africa."

He reminds his chief executives that the allegations that Shell is supplying the South African police and military with oil are completely false.

He points out that Shell South Africa is only one of eight companies supplying oil products in the country.

Shell South Africa profits are not disclosed, but are thought to be about 1 per cent of group profits, which were £3bn ($4.3bn) in 1985.

Deregulation of US phones urged

Continued from Page 1

The article in the FCC Law Review suggests that deregulation of the local telephone companies is likely to lead to the introduction of new pricing schemes, such as charging a fixed price for a set number of local calls a month, and new services such as burglar alarms and fire alarms which can be wired into a customer's own telephone system at little additional cost.

Mr Fowler's proposal is bound to generate controversy among many local politicians who are concerned that the local telephone companies will use any such experiment to increase the cost of private telephone services.

INTERNATIONAL APPOINTMENTS

A new set up at F. W. Woolworth brings Mr Harold Sells (left) to the chief executive post, in succession to Mr John W. Lynn, who is retiring, and Mr Frederick Hennig (right) into the post of chief operating officer

Top switch at Woolworth

BY DAVID BLACKWELL IN NEW YORK

MR HAROLD E. SELLS, president and chief operating officer of F. W. Woolworth, the US stores chain, is to succeed Mr John W. Lynn as chairman and chief executive when Mr Lynn retires on January 31, on reaching the age of 65.

Mr Frederick E. Hennig, 54, senior vice president of worldwide merchandising operations, is to succeed Mr Sells in both his current positions.

The group says that Mr Sells, 58, had been "credited with playing a major role," unrer Mr Lynn's leadership, "in the recent dramatic turnaround.'

Mr Lynn took over as chairman and chief executive in November 1982 and Mr Sells became president a couple of months later. The store chain was then in the process of closing its US Woolco discount division and selling its 52.6 per cent stake in its troubled British subsidiary.

The company made its targets an after-tax return on investment of 11 per cent and a 5 per cent annual growth in sales.

In the year ended in January, sales were $5.96bn, compared with $5.12bn in 1982-83, and net earnings reached $177m, up 26 per cent on the previous year, and more than double 1982-83's $82m.

The after-tax return on investment rose from 7.4 per cent to 11 per cent over the period under the new management.

Mr Sells began his career in 1945 in Fort Smith, Arkansas as assistant manager of a shoe store owned by the Kinney Shoe Corporation. Mr Hennig started in 1949 in a Woolworth training programme in Canada

Kinney was acquired by Woolworth in 1963.

Mr Hennig became executive vice president for corporate operations in Toronto and in 1984 moved to New York as senior vice president.

Mr Lynn is to continue as a director.

Crocker executive moves to Mellon

MELLON CORPORATION, of Pittsburg, has appointed Mr Richard H. Daniel vice chairman. Mr Daniel was executive vice president of the special assets division of Crocker National Corporation, of California, recently controlled by Midland Bank, of the UK, up to Crocker's acquisition by Wells Fargo and Co, another Californian banking group.

Mr Daniel is to join the corporate office of Mellon, and to assume supervisory charge of credit policy and credit administration.

Buy-out man leaves J. P. Morgan

MR LARRY L. CHAMBERLIN has left J. P. Morgan and Company, the New York banking group, to join Leach McMicking and Company, the recently formed San Francisco-based leveraged buy-out concern. Mr Chamberlin becomes substitute managing director of Leach, and head of New York operations.

He previously headed J. P. Morgan's leveraged buy-out department.

Ford takes chairman of Henley Group on to its board

FORD MOTOR COMPANY has elected Mr Michael Dingman, 53, a director, increasing the number on its board to 19.

Mr Dingman, chairman of the Henley Group, previously served on the Ford board from 1981 to 1983, and later to 1986, leaving the board to avoid possible conflicts of interest.

Henley Group is a group of businesses spun off earlier this year from Allied-Signal, the New Jersey advanced technology concern.

On leaving the Allied-Signal board last month, Mr Dingman said he did so to avoid possible conflicts of interest.

● Mr Robert L. Kirk, 57, has been appointed president and chief executive of Allied-Signal's new Aerospace and Electronics Company, from November 1. The Aerospace and Electronics Company is made up of Allied's Bendix Aerospace, Garrett Corporation end electronics and its instrumentation businesses.

Salomon reorganises management system

SALOMON INC, the Wall Street investment house, has made a number of changes designed to strengthen the management of Salomon Brothers, its investment, banking and securities trading subsidiary. The changes are effective from January 1.

Mr Thomas W. Strauss has been appointed president of Salomon Brothers, a new post.

Mr Lewis S. Ranieri and Mr William J. Voute will become vice - chairmen of Salomon Brothers, also new posts. The three will continue to be members of Salomon Brothers' executive committee along with the present executive committee members, Mr Allan H. Fine, Mr Gedale B. Horowitz, Dr Henry Kaufman, Mr James L. Massey and Mr Gutfreund.

Accountancy Appointments

Accountancy Appointments

Accountancy Appointments

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Candidates, aged about 35-45, should be Qualified Accountants with broad experience of the finance function, perhaps gained in a sales oriented organisation. Exposure to foreign currency management is essential. Personal skills will include drive, determination and initiative, together with strong communication skills.

The attractive remuneration package will include a fully expensed quality car and excellent bonus.

Please reply to Ann Bishop in strict confidence with details of age, career and salary progression, quoting reference 1667/FT on both envelope and letter.

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Applicants should be chartered accountants in their early 30's who are approaching partner status in the profession or who hold a similar computer consulting, audit or management role in industry or commerce. In depth experience of large scale computer developments and a wide variety of computer hardware is essential. There will be approximately 15% international travel, mainly to USA, Brazil, Western Europe, Australia, Japan and Hong Kong.

Success in this high profile position should lead to important career opportunities within the bank. All applications will be treated in the strictest confidence.

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Likely candidates will be qualified accountants with well developed communication skills. Individuals who are not qualified, but possess exceptional experience in this sector will also be considered.

For further details please contact Malcolm Edgell F.C.A. on 01-836 9501, or write enclosing your c.v. quoting ref. no. 7147F.

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To control monthly accounts, payroll, and cash management through a staff of twenty. Must be able to contribute to the development of the Company by analysis of financial information for business reporting and organise and implement the transfer of existing systems to a new computer. The ideal candidate will be C.A. to thirties with a sound background in financial accounts/audit as well as current knowledge of corporate taxation and computing systems.

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To initially run a Department of twenty, encompassing stock recording, valuation, job costing and purchase invoice processing whilst making a positive contribution by reviewing existing operations and policies with a view to improvement or replacement in conjunction with a transfer to a new computer system and further computerisation.

The ideal candidate will be I.C.M.A. to thirties with a grasp for detail, an innovative approach, a knowledge of computing systems and staff management experience.

Please write with full c.v., indicating your suitability for the post and current salary, to Confidential Reply Service, Ref. ABS 9422, Austin Knight Advertising, 17 St. Helen's Place, London EC3A 6AS.

Applications will forwarded to the client concerned, therefore companies in which you are not interested should be listed in a covering letter to the Confidential Reply Supervisor.

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It will be necessary to demonstrate experience in most, if not all, of these activities. The successful candidate may come from the profession or a similar post with industry. If the former he or she will need to demonstrate close involvement with industrial clients on such activities.

Reasonable relocation costs will be met and the individual appointed could expect to take part in the Company's Executive Share Option Scheme. Please write in confidence with full c.v. to John Band, Personnel Director, WARDLE STOREYS PLC, Brantham Works, Nr. Manningtree, Essex CO11 1NJ.

WARDLE STOREYS

Group Financial Controller
London
c. £28,000 + car

Our client, the Haymarket Publishing Group, a substantial private company with about 800 staff seeks a dynamic accountant who can make a major contribution to the management of the Group and to its future expansion in the UK and overseas.

Reporting to the Financial Director, the Group Financial Controller will be responsible for financial and management accounting and the centralised accounts department. The successful candidate will need to develop good working relationships with the managers responsible for the publications.

Candidates should be chartered accountants in their early thirties and good managers with a proven ability to meet strict reporting deadlines. They should have had experience in managing an accounts department, preferably in a service industry.

Please send a comprehensive career résumé, including salary history and day-time telephone number, quoting reference 2716 to Brian Levy, Executive Selection Division.

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The position offers outstanding future prospects and recognises that the incumbent may wish to develop a managerial career outside the financial area.

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If you are a graduate accountant with excellent post qualification experience in well managed organisations, and would like to discuss opportunities in consultancy with us, we would be very pleased to meet you.

To enable us to prepare for the discussion, please send a brief c.v. with remuneration history and quoting reference FT/OCT6, to Mike Coney.

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The brief will be to overhaul present systems to assure more effective management information, introduce new and comprehensive computer facilities, establish top level liaison with City and local financial institutions and provide a sophisticated technical input to business development plans.

The environment is busy, enthusiastic and service-minded, with a strong sense of commitment. The new recruit will share this philosophy and will be expected to build a financial support team which is equally dedicated. Growth will bring change and challenge; meeting that challenge will attract significant future rewards, offering the possibility of director status and participation.

Please contact Dudley Harrop or Lawrence Barnett in our Manchester office, quoting reference number M551.

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A qualified accountant, aged probably 25-35, you will be accustomed to meeting group reporting deadlines. You should possess a 'hands-on' approach enabling you to demonstrate your own competence to your staff. You will already have systems experience including some use of modelling.

There is ample scope for career development and promotion. The parent company is international and able to offer even wider career opportunities. The remuneration package for this senior appointment will include generous pension plan, subsidised mortgage after two years and executive car.

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Reporting to the Finance Director and heading up some 30 staff, you will be responsible for the computerised group accounting function. You will be expected to enforce strict control procedures and continue to improve management reporting techniques.

Some travel within the UK will be required. Candidates, in their late 30's, will be qualified accountants, with broad based industrial experience preferably gained in the construction sector.

Personality and presence are key requirements as you must be able to communicate effectively and positively at board level. Prospects for career development are enviable and the excellent remuneration package includes profit related bonus and a contributory pension.

Applicants should write to Geoffrey Rutland ACA, ATII, Executive Division, enclosing a comprehensive c.v. and daytime telephone number, quoting ref. 334, at 39-41 Parker Street, London WC2B 5LH.

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Candidates should be Chartered Accountants who have had large-practice experience and who have developed their careers with two years post qualification experience, probably outside the profession, preferably in the corporate finance or business development area of an international commercial or industrial group.

It is anticipated that applicants will be familiar with corporate valuation techniques, financial modelling and documentation. Fluency in French would be an advantage.

This appointment offers considerable opportunity to gain experience within an active, expanding international environment, with potential to advance within the organisation.

In the first instance please contact David Grove, Consultant to the Bank, by telephone on 01-374 8838, or in writing, enclosing an up-to-date curriculum vitae, to: March Consulting Group, 12 Sheet Street, Windsor, Berkshire SL4 1BG.

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Accountant c. £20,000 + car + benefits

Quantitively this senior position has responsibility for all items of incoma and expenditure within the Association togethar with our Managed Fund and other subsidiaries. This will involve day-to-day management of a 25-strong team, preparation of statutory accounts to tight deadlines and ad-hoc reviews and investigations. Considerable liaison with senior management and auditors can be anticipated.
Tha successful applicant must be a Chartered Accountant and have wide-spread accounts experience supported by the ability to work under pressure.

Financial Accountant c. £16,000 + benefits

Tha task here is to maintain all financial and accounting records for tha Association's subsidiary companies, monitor tha accounting and operating of Direct Sales, and supervise the Salaries Section utilising the accounts computer throughout. Within this broad framework consolidation and interpretation of information from many sources will be important.
A recent Accountancy qualification should be complemented by an understanding of computer systems and excellant leadership and communication skills.

Internal Auditor c. £16,000 + benefits

You will make a positive contribution to the Association by independently reviewing the effectiveness, efficiency and economy of all accounting and operating systems.
A wide-ranging brief under the control of the Internal Auditor will involve developing the internal audit function; conducting and preparing reports, liaising with management over the maintenance of effective controls, and supervising staff.
Recently qualified Chartered Accountant with fluent communication skills, you must be able to conduct assignments in an extensively computerised financial services business. A knowledge of the investment and/or life assurance business would be an advantage.

All positions offer competitive salaries with valuable benefits including non-contributory pension, free life assurance, subsidised BUPA and low-cost mortgage scheme. Prospects are excellent within this fast-moving environment. Please write or telephone for an application form to: Dave Willcock, Personnel Superintendent, Provident Mutual Life Assurance Association, Wedgwood Way, Stevenage, Herts SG1 4PU, tel: (0438) 739356.

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Excellent Potential

We are acting for a European based high technology, life science corporation with subsidiaries throughout the EEC.

Reporting to the Chief Executive, the Financial Controller will control the financial affairs of this expanding company on a day-to-day basis.

Candidates, probably aged between 30-40, should have an accountancy qualification, ideally backed by a degree or MBA, good understanding of French and have worked in the headquarters of a multi-national company in a senior financial role.

Experience of working in mainland Europe, and of investigations and acquisitions, is also of importance as is a thorough understanding of tax planning.

The position, which is based in a pleasant European financial centre, has excellent potential and terms and conditions of employment reflect the importance of this appointment.

If you are interested, telephone Stuart Adamson FCA or Andrew Nicholson FCA on Leeds (0532) 451212 or send your CV to Adamson and Partners, 10 Lisbon Square, Leeds LS1 4LY.

ADAMSON & PARTNERS LTD.

Executive Search and Selection

FINANCE MANAGER

A major distribution group seeks an ambitious accountant for this highly visible head office role. The Finance Manager's prime responsibility will be co-ordinating and controlling the management information from the group companies and monitoring their activities and cash flow. Applicants should be commercially aware qualified accountants, aged 30-35, with broad accounting knowledge and the ability to progress to an FD role. Ref: CM.

N. HOME COUNTIES £25,000+Car+Bonus

PLANNING

This major US FMCG company, market leader in its field, requires a qualified accountant, 28-35, for a managerial planning role. Taking responsibility for the overall planning process, setting and reviewing the annual budget, the role also controls forecasting, balance sheet projections and the provision of business commentaries: considerable interface with non-financial management is envisaged. Prospects are excellent in a dynamic growth environment. Ref: GR.

W. LONDON To £25,000+Car

No. 1 FINANCE

An expanding and highly successful service group seeks a high calibre finance professional. Working closely with the Managing Director you will assume total responsibility for all group accounting and management reporting including a major systems development project. Suitable candidates, aged 35-45, will be qualified accountants with a proven record within a service environment, possessing both strong technical abilities and commercial flair. Ref: JG.

S.W. LONDON c. £28,000 + Car

Robert Half Personnel, Freepost, Roman House, Wood Street, London EC2B 2JQ. 01-638 5191.

ROBERT HALF

GROUP FINANCE DIRECTOR

Central London Min. £30,000+car & benefits.

Public Company, with a sound and growing core business, is set to expand aggresssively by acquisition. To achieve this a Group Finance Director (Designate) is now sought to play a key active role in an exciting future. The individual will combine his/her talents with those of the Chief Executive as part of a very small Head Office team.

The successful candidate is likely to be in his/her thirties, an F.C.A. with a proven track record in a commercial environment. The flair to source an acquisition, complete and integrate it, is essential; and in return a fast learning curve with the City is offered.

This position will be very demanding and should soon lead to a main Board appointment. The remuneration package will reflect the importance of the post which amongst the usual benefits will include substantial share options and hence the ability to create capital.

Applicants should send a full curriculum vitae to:

THE COMPANY SECRETARY, BOX A0295
FINANCIAL TIMES, 10 CANNON STREET, LONDON EC4P 4BY

Joint Ventures Accountant

Elf UK PLC, the subsidiary of one of the world's leading energy companies, has substantial interests in the exploration and production of oil and gas both onshore and offshore.

We require an experienced Joint Ventures Accountant to become involved in all finance-related aspects of our joint venture activities. Responsibilities include the monitoring and preparation of billing statements, the review and initiation of cash calls, involvement in the negotiation of relevant sections of new agreements and liaison with technical departments on budget and cost control aspects of all joint venture activity.

Candidates are likely to be part-qualified accountants with several years relevant oil industry experience.

A competitive salary will be offered together with a first class benefits package.

Applicants should write with full career details, including current salary to:
Mrs. Hilary Jeanes,
Personnel Manager,
Elf UK PLC,
197 Knightsbridge,
London SW7 1RZ.

elf

Accountancy Appointments

ADDISON CONSULTANCY GROUP PLC

The recent merger of Chetwynd Streets PLC with Addison Page PLC and the acquisition of the Taylor Nelson Group Limited has created this newly named Group which has gained the permission of its shareholders to undertake a further acquisition of Aidcom International PLC.

This has created a substantial communications and management consultancy group offering a wide range of complementary and balanced specialist services, both in the UK and internationally including Personnel Services, Design, Financial and Corporate Communications, Consumer Communications and Research.

As a result of this planned expansion, two new positions have been created within the Group's finance function in Central London.

GROUP MANAGEMENT ACCOUNTANT
to £20,000 + car

Reporting to the Group Corporate Accountant, this position would give the individual responsibility for the Group's management reporting functions, preparation of group budgets and forecasts and involvement in assisting senior management in financial analysis for corporate and strategic business plans. In addition, the selected candidate will be expected to assist in the development of the Group's treasury functions and to undertake a number of ad-hoc projects.

Candidates, preferably aged between 26-30, should possess a recognised accounting qualification (ACCA, ACMA or ACA) and be able to demonstrate an ability and willingness to work within a dynamic and commercial environment.

ASSISTANT GROUP FINANCIAL ACCOUNTANT
to £20,000 + car

This key position relates to the Head Office and subsidiary financial accounting functions. Reporting to the Group Financial Accountant, the role offers considerable man management experience and the opportunity to become involved in other areas of the Group's activities.

The selected candidate will have responsibility for the day-to-day accounting functions, preparation of annual and half-year consolidations, divisional tax compliance work as well as specific projects and investigation assignments delegated by the Group Financial Accountant. Candidates should be Chartered Accountants, aged 25-28, with a sound professional background, currently working in the profession or in an industrial or commercial organisation.

Interested applicants should contact Charles Austin on 01-831 2000 or write, enclosing a comprehensive C.V., to 39-41 Parker Street, London WC2B 5LH, quoting ref. 2078.

MP

Michael Page Partnership

International Recruitment Consultants

London Windsor Bristol Birmingham Nottingham Manchester Leeds Glasgow & Worldwide

A member of Addison Consultancy Group PLC

Exciting opportunities for Accountants

NatWest Investment Bank is an autonomous international investment and merchant banking group with a capital of over £300 million. Based in London it has offices in the US, Japan, Hong Kong, Australia, and Dubai and is able to offer clients financing and investment opportunities on a genuinely global scale.

Following the recent appointment of a Group Finance Director, there is an immediate need to recruit further key executives to the Finance Group.

Opportunities exist in the following areas:-

SYSTEMS ACCOUNTING
FINANCIAL ACCOUNTING
MANAGEMENT INFORMATION
FINANCIAL CONTROL

The Bank seeks applications from ambitious accountants with drive and determination who are keen to join an expanding and dynamic organisation where performance is recognised and rewarded.

You should have experience preferably in one, or more, of the areas mentioned above; in addition the Finance Group has a commitment to develop multidisciplined career accountants by offering experience within the Finance Group itself and within the business and commercial departments of the bank.

The remuneration package is highly competitive and will include performance related bonus as well as usual banking benefits.

If you are confident you can meet these demands, telephone for further details or write enclosing a comprehensive resumé quoting ref. 116 to:
Nigel Hopkins FCA, 97 Jermyn Street, London SW1Y 6JE.
Tel: 01-839 4572

NATWEST INVESTMENT BANK

Cartwright Hopkins

FINANCIAL SELECTION AND SEARCH

Finance Director

c£20,000+car+benefits Midlands

The company, part of a major group is a significant force in its specialist field. A £20m turnover is generated from the aggressive marketing worldwide of a range of quality engineered capital equipment manufactured at a West Midlands base.

A thoroughly professional and profit oriented Finance Director is now sought to assume full responsibility for all aspects of financial and management accounting in this competitive industrial sector. Key tasks will be to enhance and/or develop and implement good management accounting systems utilising the latest computerised systems, to control operating costs with a view to early impact on the bottom line and to assist in the identification of business opportunities and subsequent negotiations.

Aged 30-45, the successful candidate will be a qualified Accountant with wide ranging and relevant industrial experience at a senior financial management level, preferably in a light/medium engineering or capital equipment environment.

This is a strategic role offering early responsibility and considerable challenge to a self motivated and energetic individual. An early contribution to the general management and profitable growth of the business will be expected.

Excellent remuneration package includes a salary negotiable as indicated and executive car, BUPA and substantial fringe benefits. Relocation assistance will be given where appropriate.

Please send full cv, which will be forwarded to our client unopened. (Address to our Security Manager if listing companies to which it should not be sent)

Ref: M9483/FT

PA Advertising

Fountain Court, 68 Fountain Street, Manchester M2 2FE.
Tel: 061-236 4531.

FINANCE AND ADMINISTRATION DIRECTOR — FMCG

HAMPSHIRE £40K PACKAGE + CAR

This influential appointment provides an excellent opportunity for a qualified accountant to make a major contribution to the commercial development within my client's dynamic and highly successful consumer goods company. A subsidiary of an American Multi-National having experienced strong growth as a result of creative management, continual and highly innovative new product development in an aggressive and very fast moving Market Sector.

Reporting to the Managing Director, this Director will take full responsibility for the UK financial and administration departments and will play a key role in the organic and acquisitive growth plans of the company. As well as proven financial expertise, interpersonal and strategic business planning skills are critical requirements together with the ability to work closely with fellow Directors in the area of business planning and development.

The successful candidate will be a qualified Accountant, probably aged 30-40 able to demonstrate a high level of achievement to date gained within a marketing lead FMCG company.

Commercial flair, imagination and tenacity are essential qualities as are developed communication skills and the ability to work in close liason with the American parent company.

A first class salary and benefits package, plus bonus and full relocation assistance will be provided, reflecting the importance of this appointment.

Interested candidates should telephone in confidence or alternatively write to:

Maralyn Viviers
Maralyn Viviers Executive Search
(A Division of Highfield Associates)
1 London Road, Newbury, Berkshire RG13 2JL
Telephone: (0635) 33923

Maralyn Viviers Executive Search

OPPORTUNITIES IN FINANCE JEDDAH, SAUDI ARABIA

Opportunities are available for professional accountants, who are fluent in both spoken and written *ARABIC AND ENGLISH*. The positions and their responsibilities/qualifications are:

FINANCIAL CONTROLLER

Responsibilities:

- Responsible for accounting, budgeting-management information treasury and E.D.P with a home office staff of 30.
- Functional responsibility extends to overseas subsidiaries and branches.

Qualifications:

- Qualifications from reputable institute.
- 10-15 years progressive experience in similar position.
- Prior international posting (s) desirable.

INTERNAL AUDIT MANAGER

Responsibilities:

- Directly responsible to the Board of Directors.
- Responsibilities for internal audits extend to overseas subsidiaries and branches.

Qualifications:

- CPA or Chartered Accountant.
- 10-15 years audit experience with Large public accounting firms, and/or internal auditing experience in commerce or industry.
- Prior international posting (s) and travel experience desirable.

Both of these positions are based in Jeddah, Saudi Arabia, and offer:

- Tax free salaries that recognise qualifications and experience
- Housing, transportation and 30 days annual home Leave with air transportation for the employee and two members of his family.

Please send your resume with salary history to:

P.O. Box 1522, (E16)
Riyadh 11441, SAUDI ARABIA.

EXECUTIVE JOB SEARCH

Are you earning £20,000—£100,000 p.a. and seeking a new job?

Connaught's discreet and successful Executive Marketing Programme provides professional excellence in helping you to identify those unadvertised vacancies.

Contact us for a free and confidential meeting to assess if we can help you. If you are currently abroad ask for our Executive Expat Service.

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The Executive Job Search Professionals

Head of Management Accounts

Guildford **c. £20,000 + car**

A rapidly expanding diversified group with a turnover in excess of £600 million, wishes to strengthen its small Head Office team by the appointment of an additional qualified accountant.

Reporting to the Group Financial Controller, the successful candidate will be responsible for the computerised consolidations of budgets, management accounts and information systems, and will contribute to their analysis and review as well as being involved in ad hoc projects and investigations.

Candidates should be qualified accountants in their late twenties. They must have had directly relevant experience in an international firm and be fully conversant with PC accounting packages and financial modelling. There are excellent opportunities for subsequent career progression in the eight operating divisions.

Please send a comprehensive career résumé, including salary history and day-time telephone number, quoting ref. 2717 to W.L. Tait, Executive Selection Division.

Touche Ross
The Business Partners
Hill House, 1 Little New Street, London EC4A 3TR. Telephone: 01-353 8011.

STEP INTO BANKING

City **£18–22,000 + Mortgage**

Our client, a MAJOR UK BANK, is following a buoyant and acquisitive path through the explosive finance sector. Continuing success and expansion throughout it's financial functions has led to the creation of an exciting new opportunity.

Having commenced an aggressive sweep into a new business area, this special projects team is searching for further acquisitions. They require a commercially aware, newly-qualified young accountant with the confidence to get involved in front-line negotiations at every stage.

The bank has an undisputed reputation for high rewards and rapid advancement related to personal performance. For a detailed discussion please telephone JANE EASTON on 01-242 6321.

Personnel Resources 75 Gray's Inn Road London WC1X 8US

Personnel Resources

Taxation Specialist

Weybridge **c£21,000**

The Gallaher Group, with an annual turnover in excess of £3,300M and developing worldwide interests including tobacco, engineering, optics, distribution, office products and housewares, wishes to recruit a Taxation Specialist.

This is an excellent opportunity to join a highly skilled team which provides a comprehensive taxation service to all the UK resident companies within the Group, and deals with both UK and overseas tax matters.

Candidates must be qualified accountants, preferably graduates, in the age range 26-30, with a minimum of 2 years' sound post qualification experience of corporate taxation of large groups, probably gained in a major professional firm or a multinational group. Candidates should be able to demonstrate solid technical ability, particularly in the areas of complex situations. A knowledge of US and other overseas taxation procedures is desirable, and the ability to communicate effectively is essential.

The position is based at our Head Office in Weybridge, Surrey.

The total salary package is c £21,000 and there are attractive fringe benefits. This post is intended to provide an excellent base for a sound career within the Group.

Applicants should apply in writing enclosing their C.V. to
Mr. D. G. H. Whittle, Recruitment Manager, Gallaher Limited,
P.O. Box 14, Rowdell Road, Northolt, Middlesex, UB5 5QU.

GALLAHER LIMITED

AVAILABLE FOR ASSIGNMENTS WORLDWIDE:

Joint Interest Auditor

Calgary based, 22 years experience in oil and gas industry.
On assignment in Europe until December 15, 1986.

Please reply to:
Kromwest Management Ltd
C/o Vossenkamp 17
3972 VG Driebergen, Netherlands

Accountancy Appointments

Assistant Financial Controller

W. London

£26,000 + Bonus + Car

This client is the International Division, t/o c$35m, of a leading US software supplier that specialises in applications for data centre management. The company has a highly successful track record that has been achieved by the development of new products, acquisitions and the development of its customer base; primarily major blue chip organisations.

The rapid expansion achieved has now created the need for this new position that will encompass immediate responsibility for the production of sound financial and management information from routine data to the highest standard of reporting within tight deadlines.

Candidates will be qualified accountants, aged about 30-35, who must have had experience of managing an accounting department in a commercial environment. Maturity, leadership and an ability to enhance the finance team's service and profile within the company are essential as is the ability to adapt in a high growth environment.

Please write enclosing a full curriculum vitae quoting Ref: 115 to:– Philip Cartwright FCMA, 97 Jermyn Street, London SW1Y 6JE.

Cartwright Hopkins

FINANCIAL SELECTION AND SEARCH

GRADUATE ACCOUNTANTS · £20,000 – £30,000

To maintain the kind of commercial success for which Mars Confectionery is world-renowned, our financial management and controls need to be of the highest order. You'd expect nothing less from the leading manufacturers in the UK's biggest packaged-goods market.

That's why the kind of accountants we employ have to be exceptionally talented: fully qualified with a good degree, flexible in approach, already possessing an impressive record of achievement (in industry or the profession), and hungry for broader involvement in a fast-moving business environment.

Initially, we offer a position working in management accounting and control, with the opportunity of gaining further experience in all aspects of financial management at Mars. Thereafter, the precise direction of your career is up to you, since it is central to our belief that management ability should not be limited by functional boundaries.

The fast route to FINANCIAL management

What we can guarantee you is a level of responsibility, intellectual challenge and breadth of management development potential that you'd be hard put to match anywhere else. In fact, you'll be replacing someone who's moved up to become Financial Controller in one of our European units – just one example of a number of young financial managers who are now holding down senior jobs in our fast-expanding worldwide group.

Naturally, conditions and benefits are excellent, with relocation assistance available if appropriate.

To find out more, please ring 01-235 4835 (our 24-hour recorded answering service) to obtain an application form.

Mars

We are an equal opportunity employer.

ATLAS Working for you

Financial Controller

London **to £22,000 + car**

Our client, Atlas Employment Agency, is a highly profitable subsidiary of Hestair plc, the diversified UK-based group whose business interests cover service, consumer and engineering markets. Recent amalgamation in the Greater London area has created a substantial force in the commercial recruitment sector and further expansion is planned during the next two years.

A Financial Controller is now required to head up a sizeable accountancy function and provide positive direction and financial advice at Managing Director level. As a high volume business, stringent cash management and effective credit control are crucial; ad hoc investigations and company secretarial duties will also be within your remit. The company operates a mini system with bespoke software and you will also be required to develop and control the DP function.

A qualified accountant, aged 27-32, you will be seeking the challenge and opportunities of a high growth commercial environment. Your proven man management skills will enable you to recruit, train and motivate the finance team to operate effectively, working to tight deadlines.

Career prospects within the group are excellent and will only be limited by your personal performance and desire to share in the success of this entrepreneurial group. Interested applicants should write to Geoffrey Rutland ACA, ATII, Executive Division, enclosing a comprehensive C.V. and daytime telephone number, at 39-41 Parker Street, London WC2B 5LH, quoting ref. 356.

MP Michael Page Partnership

International Recruitment Consultants

London Windsor Bristol Birmingham Nottingham Manchester Leeds Glasgow & Worldwide

A member of Addison Consultancy Group PLC

Prestigious appointment with internationally renowned retail co....

FINANCIAL CONTROLLER

South London LIBERTY **£22,000 + car + benefits**

Our client, Liberty of London Prints, is the design originator and wholesaler for the world-famous Liberty Group.

They now wish to recruit a qualified accountant, ideally with some experience in the retail or marketing sectors.

Responsible to the Group Financial Director for all aspects of the finance function, likely candidates will be able to demonstrate commercial flair, coupled with enthusiasm and the ability to make things happen.

Prospects are excellent, and the package includes all the benefits one would associate with a company of this calibre.

For further details, please contact Deborah Sherry on 01-836 9501, or write to our London office enclosing your c.v. quoting ref. no. 7158.

410 Strand, London WC2R 0NS. Tel: 01-836 9501
163a Bath Street, Glasgow G2 4SQ. Tel: 041-226 3101
India Buildings, Water Street, Liverpool L2 0RA. Tel: 051-227 1412
113/115 George Street, Edinburgh EH2 4JN. Tel: 031-225 7744
Brook House, 77 Fountain Street
Manchester M2 2EE. Tel: 061-236 1553

DOUGLAS LLAMBIAS DLA

Douglas Llambias Associates Limited
Accountancy & Management Recruitment Consultants

OVERSEAS PROPERTY COMPANY

requires

Financial Director

with

* A first class academic background
* A prime professional qualification
* A practical experience of Accounting and Auditing at a senior level
* Knowledge of modern computer-aided techniques
* An extremely good track level with a major concern
* The ability to set up and expand a new department within a newly established business, to be situated at 117 Park Lane, London, W1.

If our requirements can be met the remuneration package should not be a problem.

Please forward your detailed application to:

Desmond Crews FRIBA
CREWS AND CO LTD
15 BERKELEY STREET
LONDON W1X 5AE

clearly marked "Financial Director"

Career opportunity in a multinational group

Financial Analyst

c£20,000 + car + relocation South London/Surrey

Our client is a major subsidiary of one of the UK's top multinationals. Turning over c£25 million pa and growing consistently they have a worldwide reputation for highly advanced electronic instrumentation and control systems.

As a vital member of the senior management team the job holder will be responsible for monitoring, analysing and forecasting. performance and contributing to the development of the business. Reporting to the Finance Director, other key activities will include systems development, the review of major contracts, and capital expenditure appraisal. Career prospects are excellent.

Candidates for the position should be qualified accountants with experience of computerised reporting systems in a manufacturing company and probably aged 26-32. Experience in the electronics industry involving exposure to high value contracts would be advantageous but is not essential.

*Please send your career and current salary details to **BARRY C SKATES** or telephone him on **0628 75956** for further information.*

MKA

MKA SEARCH INTERNATIONAL LIMITED
MKA House
King Street
Maidenhead
Berkshire SL6 1EF

Bayer UK Limited is part of the international Bayer Group, manufacturing and marketing a wide range of products in the industrial, medical, agricultural and consumer fields.

CHIEF ACCOUNTANT

Following the re-organisation of the Accounts Department, the position of Chief Accountant has been created. Reporting to the Finance Manager/Company Secretary, you will take over the management and control of Company accounts and prepare reports in accordance with International accounting guidelines.

You will be a qualified Accountant, preferably with exposure in tax matters. You will have had experience in managing an Accounts Department and direct experience in the preparation of accounts in a sizeable, preferably, multi-divisional company.

Bayer UK offers an excellent remuneration package including relocation assistance to our base in Newbury, contributory pension scheme, free life assurance, subsidised BUPA, flexitime and staff restaurant facilities.

All applications will be treated in the strictest confidence. Please contact Carole Swetenham, Personnel Manager, Bayer UK Limited, Bayer House, Strawberry Hill, Newbury, Berkshire RG13 1JA. Phone Newbury (0635) 39466. (Ansaphone outside office hours).

Bayer

Improving the quality of life.

Managing Director

£20,000 + performance Bonus + car

Our clients are a new and rapidly expanding company, recently established in England and belonging to a family owned international group. They will be involved in handling investments and trading in financial securities/properties throughout the world on behalf of the Group and clients.

As Managing Director you will be responsible for this young company's growth and achievement of profit targets. This will involve you in liaison with leading banks, merchant banks, security companies, financial institutions, lawyers, auditors and property companies. Naturally a good deal of travel will be involved.

Aged 30-38, you should be qualified both as Chartered and Management Accountant with an exceptional academic record. You should have ten years' proven professional experience of which at least three years' should be at Director/Chief Executive level, together with a working knowledge of the European property market. Middle East experience of at least three years' and a working knowledge of German is also required. The successful applicant will also possess good communication skills and the ability to work under pressure.

Please send full details of your background to: Cheryl Shadrach at PER, 4th Floor, Rex House, 4-12 Regent Street, London SW1Y 4PP.

PER

Britain's Largest Executive Recruitment Consultancy

Young Management Accountant

...contribute to profitability in a fast moving multi-site operation

£16 – £18K + car North West base

The leisure retailing industry as a whole is a rapidly developing and highly professional industry. Our client, a subsidiary of a major international plc, is at the forefront of this industry pioneering exciting new developments through innovative and creative marketing, matched by an ambitious investment programme.

As Management Accountant you will have clear responsibility for a significant portion of the business and will be deeply involved with line management in promoting achievement of profit objectives. This will include provision of comprehensive management accounts, variance analysis and recommendation of effective remedial action, capital investment evaluation and development of realistic forecasting techniques.

In your late 20s/early 30s and qualified, you should have at least 3 years management accounting experience. Ambitious for challenging career growth opportunities you should have a strong commercial orientation and a pro-active approach to business management.

Salary will be in the range of £16,000 – £18,000, generous company benefits include 2 litre car, BUPA and full relocation assistance where appropriate.

Please write with full details – in confidence – to Chris Brooks, ref. B.14035.

MSL Advertising, Sovereign House, 12-18 Queen Street, Manchester M2 5HS.

Offices in Europe, the Americas, Australasia and Asia Pacific.

MSL Advertising

Oxford University Press

CHIEF ACCOUNTANT Publishing, Oxford c.£19,000 + Car

OUP is an international publisher with a world-wide turnover of £90 million. It is pre-eminent in the fields of Academic, Reference, Educational and ELT publishing.

Due to internal promotion, we are looking for a Chief Accountant who will report to the Financial Controller and be responsible for a team of 20 people. In addition to providing regular financial information and ensuring the integrity of the accounting records, the jobholder will be required to provide wide-ranging advice and support to the publishing businesses and service departments.

This is a key position in a successful organization which provides a stimulating working environment. As well as having sound technical skills, applicants should have the ability to manage and motivate people and to communicate financial information effectively.

Candidates should, ideally, be graduates and chartered accountants aged under 35 with at least two years' post-qualification experience in a large company or the profession.

The salary is negotiable and there are excellent supporting benefits. Assistance with relocation expenses where necessary.

Please write, attaching a C.V. to:-
Mr D C Moody, UK Personnel Director,
Oxford University Press, Walton Street,
Oxford OX2 6DP.

Accountancy Appointments

Appointments Wanted

Accountancy Appointments

Group Financial Controller

Arabian Gulf

circa US$65,000
+ generous benefits package

A major international group based in the Arabian Gulf, engaged primarily in trading and distribution and with interests in manufacturing, construction and insurance, has created this new position as a result of reorganisation.

The Group Financial Controller will report to the Group Finance Director. His primary responsibility will be to advise senior management on the control of expenditure, assets and cash flow throughout the Group's operations. He will make use of existing management information systems and will be responsible for their development and enhancement.

The Group's activities are extensively computerised, and the Group Financial Controller will play a major role in advising on the integration of financial information through EDP systems.

The successful candidate will probably be a Chartered Accountant, aged 40 to 45 years with a working knowledge of, and connections with, the sub-continent. He will have about 15 years' experience in financial control within a multinational business organisation, including at least five years in senior positions reporting to top management. His analytical abilities, commercial judgement and communication skills will be commensurate with the importance of this position.

Salary will be tax free. Benefits include furnished family accommodation, company car and annual leave passages for the employee and his family.

Applicants can apply in strict confidence enclosing a comprehensive CV including salary history and quoting reference MCS/7180 to
Michael R. Andrews
Executive Selection Division
Price Waterhouse
Management Consultants
No 1 London Bridge
London SE1 9QL

Price Waterhouse

TWO EXCEPTIONAL ROLES IN THE FAST MOVING WORLD OF TELEVISION

Our client is a listed company in the television, video and photographic industry. Their name is a byword for innovation, ambition and success.

Shrewd acquisition has been a key factor in their growth and they are now looking to further strengthen their financial management resources with professionals of ambition and potential.

Financial Director (Designate)
To £30,000 — N. London

This position is available at a subsidiary company which is widely accepted as a market leader and as a vital member of their management team you will have a significant role to play in its future growth and development.

Reporting to the Managing Director, you will be responsible for day to day planning and administration, covering everything from financial accounting and reporting to budgeting. You will also be expected to be fully involved with the financial planning of the company, with a view to ensuring successful future growth.

In your mid 30s, qualified with commercial experience (preferably with some acquisition experience) you will have the management potential to progress quickly. A knowledge of IBM systems would ease your transition into the role.

Assistant to Group Controller
To £25,000 + Car — City

As a member of our client's group management team this represents an exciting opportunity to be in a fast growing company.

Bringing an aggressive, forward thinking approach to the position you will be involved in many financial aspects of the company: from acquisition and taxation to daily administration.

It is a demanding brief, so our client's requirements are understandably high.

Aged 28-35, and ACA qualified, you will be able to point to a proven track record in a similar commercial environment. This will have included exposure to acquisition and taxation. Some exposure to overseas accounting methods would be advantageous.

If you can couple your professional attributes with initiative, commercialisation and the potential to progress sooner rather than later, then our client would like to meet you.

Both positions carry the challenge, rewards and future that only a market leader in such a growth industry could offer.

For more details, write enclosing a comprehensive curriculum vitae to Mary Ann Shuldham, or call her on 01-434 0175, Hamilton Partnership, 61 Oxford Street, London W1.

HAMILTON PARTNERSHIP

Chief Accountant

Challenging career opportunity in a major communications and information group

c£30,000 + Bonus + Car — Oxford

Pergamon Holdings Limited with its sister companies The British Printing and Communications Corporation plc and Mirror Group Newspapers Limited is a major force in the information and communications business and, through its subsidiary Rediffusion Cablevision, a major force in cable television.

A vacancy has occurred for a Chief Accountant who will report to the Finance Director. This person will be responsible for balance sheet management and financial control and play an important part within the top management team guiding the business.

We seek a practical and positive Chartered Accountant with significant post qualification experience and with leadership ability. Aged between 28 and 40 you must have a proven track record with a media or marketing orientated organization.

The company offers excellent salary and benefits package and most of all the chance to join one of the world's leading groups in the communication and information business with well laid plans for continued expansion through organic growth and acquisition both at home and abroad.

Candidates should apply in writing with full cv and present salary to: **The Chairman, Pergamon Holdings Limited, Headington Hill Hall, Oxford OX3 0BW.**

PERGAMON HOLDINGS

FINANCIAL CONTROLLER
FINANCIAL DIRECTOR DESIGNATE

Woking — c. £22,500+Car

Our client enjoys a long-established reputation for being the U.K.'s largest importer and distributor of quality cigars.

Internationally recognised names such as **BOLIVAR, PUNCH, PARTAGAS** and **MACANUDO** are just a few of the hand-rolled cigars exclusive to this company.

Recent expansion has been a direct result of the company's commitment to future success and continued growth – both through the development of existing operations and further acquisitions.

Such a strategy calls for effective controls and to strengthen their management team they wish to appoint a qualified accountant, aged ideally between 27-40, as Financial Director Designate.

The position will carry responsibility for all financial aspects of the business and calls for the ability to contribute to the overall development of the company through the application of sound commercial judgement backed by imaginative flair.

A full range of excellent benefits, including the provision of an executive level car reflects the importance attached to this position.

(Full C.V.s should be sent to Stuart Rosen, Executive Recruitment Manager quoting ref SR/S6/10.)

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SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Thursday October 16 1986

THIRD-QUARTER BOOST TO INTERNATIONAL SALES

US drug groups show big gains

BY DAVID BLACKWELL IN NEW YORK

SCHERING-Plough and Upjohn, two major US pharmaceuticals groups, have sharply increased their third quarter profits as a result of large gains in turnover.

Both groups reported growth in their international drugs businesses.

Schering-Plough, whose other interests include veterinary products, cosmetics and toiletries, lifted net income for the quarter by 42 per cent to $62.3m or $1.01 a share from $43.8m or 72 cents a share last time. Turnover grew to $600.6m from $506.7m.

This took nine-month earnings to $205.9m or $3.34 a share on sales of $1.8bn, against $157.7m or $2.61 a share on revenues of $1.55bn for the third quarter last year.

The 1985 figures have been restated to reflect the group's 600m merger in June with Key Pharmaceuticals, a Miami-based maker of prescription and over-the-counter drugs. The merger has been accounted for as a pooling of interests.

Mr Robert Luciano, Schering's chairman and chief executive, said the group's third quarter result reflected a 32 per cent rise in worldwide pharmaceutical sales. Among the products which registered sharp gains were Key's Theo-dur, for asthma, and Nitro-dur 11, for angina.

Sales in the consumer segment declined slightly, although the Dr Scholl foot care business performed well.

Mr Luciano said the results supported the group's expectations of a full-year outcome in excess of $4.25 a share.

Upjohn, whose other interests include agricultural products and health care services, boosted third quarter earnings by 33 per cent to $60.6m or $98 cents a share, compared with earnings from continuing operations of $45.7m or 74 cents a share last time. Turnover grew from $474.7m to $561.2m.

Sales of health care products and services rose 21 per cent in the quarter. Mr R. T. Parfet, chairman and chief executive of Upjohn, reported strong advances in sales of Xanax in the US and Halcion in foreign markets. The two drugs are used to treat central nervous system disorders.

Agricultural sales increased by 5 per cent.

The company reported an after-tax gain of $1.7m in the quarter from the sale of its diagnostics business, a pension credit of 5 cents a share, and a charge of 3 cents a share from increased product liability reserves which the company raised in response to "increased hazards of litigation."

● Chesebrough-Pond, which makes consumer products including toiletries and cosmetics, as well as agricultural and industrial chemicals, lifted third-quarter profits from continuing operations to $40.4m or 95 cents a share from $19.9m or 56 cents a share last time. Turnover reached $733.4m, against $698.5m.

This took nine-month earnings from continuing operations to $125.9m or $3.07 a share from $53.6m or $1.54 last time. After special items final net income this time was $138.1m, against $74.6m a year earlier.

Mr Ralph Ward, chairman and chief executive, said the group was on course for record sales and profits for the full year.

Ford Motor lobbies for Alfa takeover

By John Wyles in Rome

FORD was lobbying last night to turn the tide of political support in favour of its projected takeover of Alfa Romeo at a meeting between its president, Mr Donald Petersen, and Mr Bettino Craxi, Italian Prime Minister.

The initiative is an attempted pre-emptive strike by Ford in advance of the counter-offer for Alfa which is expected to be tabled by Fiat early next week.

Mr Petersen was expected last night to explain the Ford proposals – whose details remain a secret – and to put particular stress on guarantees of employment and operating autonomy which they offer Alfa Romeo.

Ford's undertakings are believed to include an investment over 10 years of more than £170m ($244m) and a doubling of Alfa's annual production to around 400,000 units. Majority control would pass to the US company after three years.

Nevertheless, the Italian political and trade union world is beginning to rally around the Fiat offer even before it is tabled.

Ford's decision to seek last night's meeting with Mr Craxi reflects a shrewd judgment as to where the final decision on Alfa's future may be taken. IRI-Finmeccanica, the state holding group which controls the struggling car company, has promised to reply to the Ford proposals by November 7.

But there are no illusions that the final decision will be taken anywhere other than at the highest political level. Italy's minister of state participation, Mr Clelio Darida, is claiming the final responsibility, but Mr Craxi's office is making it clear that it will be broadly shared among other ministers.

Manufacturers Hanover income edges up 5.3%

BY WILLIAM HALL IN NEW YORK

MANUFACTURERS HANOVER, parent of the third biggest New York bank, yesterday reported a 5.3 per cent rise in third quarter net income to $105.8m, while Continental Illinois Corporation underlined its steady recovery by reporting a 15 per cent rise in third quarter net income to $41.1m.

Manufacturers Hanover said its performance was helped by sharply higher revenues from a wide range of activities including investment banking, securities trading, foreign exchange, venture capital and financial advisory commissions.

The group's net interest revenues fell by $7.9m to $546.4m in the third quarter, primarily reflecting a 14 basis point drop in the net yield on the group's average earnings assets of $68.8bn in the quarter. Other operating income rose by 40.5 per cent to $80.2m, helped by a more than doubling of trading account profits to $23.8m and a $45.1m pre-tax gain on venture capital investment.

The group's operating expenses rose 11.1 per cent to $541.8m but the provision for loan losses fell by $7.7m to $139.5m in the third quarter. Net charge ofs of $133.8m in the latest quarter were $25.6m up on the same quarter of last year.

Manufacturers Hanover's non-performing loans rose by $50m to $2.28bn between the second and third quarters of the year and now account for 4.11 per cent of total loans, compared with 3.53 per cent a year ago.

The assets of $74.4bn at end-September have shrunk by close to $1bn but total capital has increased by $1bn to $8.9bn over the last 12 months. The group's latest three-month earnings of $2.29 per share compare with $2.10 a year ago. For the nine months, the group's net income is virtually unchanged at $301.8m, or $8.42 per share.

Continental Illinois' third quarter earnings have boosted the nine-month profits to $121.7m – 8 per cent up on a year ago. The group earned 15 cents per fully-diluted share in the third quarter and for the nine months earned 43 cents a share, compared with 40 cents a share last year.

The company said its performance had been boosted by higher non-interest income and a lower loan loss provision which more than offset lower net interest income and higher non-interest expenses.

Among the other US banks reporting yesterday, the Houston-based Allied Bancshares posted a $46.4m third quarter loss.

After making a $110m provision, its latest loss compares with a profit of $30.3m in the same period of last year.

Montedison plans to drop Fermenta bid

By Our Rome Correspondent

MONTEDISON, the Italian chemicals group, is preparing to abandon its attempt to take over Fermenta, the troubled Swedish chemicals and biotechnology company.

An official announcement is likely to be made from the Italian company's Milan headquarters early next week unless Fermenta decides in the meantime to provide detailed information on its activities without which Montedison says it cannot negotiate a deal.

This, however, seems unlikely since the Fermenta board decided at the end of last week that the information requested would jeopardise the interests of the minority shareholders remaining after Montedison had secured its projected 76.5 per cent of voting control.

From its inception, the takeover has been so bedevilled by problems that even in early September Montedison put a November 30 deadline on reaching an agreement.

Mr Mario Schimberni, the Italian company's chairman, has said that he has alternative acquisitions in mind if the Fermenta takeover fell through.

Dutch property group granted court protection from creditors

BY LAURA RAUN IN AMSTERDAM

BREEVAST, the financially troubled property company 36.7 per cent owned by Bredero of the Netherlands, was granted temporary protection from its creditors yesterday by the Utrecht district court. A final court decision on bankruptcy will be made on December 10.

Bredero, an international construction and property company, is the largest shareholder in Breevast and said its losses could more than double to Fl 10m ($4.5m) for all of 1986 from Fl 3.8m for the first half because of Breevast.

The court petition for debt protection was submitted by Bredero, which provides day-to-day management of the property company.

It is not yet clear whether Bredero Properties. The UK subsidiary that is 49.5 per cent owned by the Dutch parent and is listed on the London Stock Exchange will be affected. Bredero Properties has net assets of £18m ($26m).

Breevast plunged into financial difficulties this year as the weak dollar depressed income from abroad, especially North America, where 48 per cent of the property portfolio is located. Losses for the first half of 1986 amounted to Fl 18m. In its 1985 annual report, Breevast already said it was attempting to curb its debt payments.

Total debt now amounts to between Fl 550m and Fl 600m, according to Mr L.M. Zaat, a member of the Bredero board. Overall assets were Fl 542.8m at the end of 1985, including Fl 405m in property. Two receivers were appointed by the Utrecht court to examine the financial situation.

Over the past decade Breevast has posted a gradual rise in profits to Fl 8.2m in 1985. The other 63.3 per cent of the Utrecht-based company not owned by Bredero is mostly in the hands of small shareholders, Mr Zaat said.

Bredero has likewise been hit by the falling dollar, with one-third of its total Fl 1.46bn turnover coming from outside Europe. A heavy reorganisation of pipe-laying activities plus "unexpected setbacks" accounted for the red ink in the first half compared with a Fl 9m profit for all of 1985.

Breevast and Bredero shares are listed separately on the Amsterdam stock exchange and trading has been suspended for the past couple of days.

NatWest USA raises income by 28% in quarter to $13.3m

BY WILLIAM HALL IN NEW YORK

NATIONAL Westminster Bank USA, the fast expanding US banking arm of National Westminster Bank, increased third-quarter net income by 28 per cent to $13.3m and increased its outstanding loans by 13.6 cent to $7.1bn.

The latest quarter has boosted the group's nine-month earnings to $40.8m compared with $40.3m in the same period of last year. Its return on assets for the nine months totalled 0.65 per cent compared with 0.61 per cent a year ago.

Mr William T. Knowles, the chairman and chief executive of National Westminster Bank USA, attributed the strong earnings gains to continued growth in the bank's business with higher loan and core deposit volumes, increases in non-interest income and a further significant improvement in the bank's asset quality.

Net interest income in the third quarter rose 11 per cent to $92m and for the nine months it was 12 per cent higher at $275.9m. Net interest income on a tax equivalent basis was equivalent to 4.48 per cent of average earning assets in the third quarter, down slightly from the 4.51 per cent in the same period last year.

Non-interest income rose 21 per cent to $26.2m in the latest quarter, reflecting higher income from deposit services, letters of credit and other loan-related services. Sales of investment securities generated a nominal gain in the latest quarter, compared with gains of $800,000 in the same quarter of last year.

Operating expenses rose by 13 per cent to $79.6m in the third quarter and are 11 per cent higher for the nine months at $239.8m. The provision for loan losses was $12m, some $1.5m down on the third quarter 1985 provision.

The allowance for possible loan losses at end-September totalled $104.3m or 1.48 per cent, compared with 1.35 per cent a year ago. Non-accrual loans totalled $121m at end-September compared with $245m a year ago.

At end-September 1986, the group had assets of $10.8bn, core deposits of $5.56bn and equity capital of $603m. A year ago the group's assets totalled $9.4bn, core deposits were $5bn and equity capital was $540m.

North American quarterly results, Page 39

Profits at Time boosted by capital gains

By Our New York Staff

TIME, the largest US publishing magazine and cable television group, reported that capital gains totalling $352m substantially boosted third-quarter net income.

Time, which said on Monday it had agreed to buy leading textbook publisher Scott, Foresman for $520m, announced income for the quarter of $252m or $3.98 a share on sales of $914m. This compares with income of $44m or $70 cents a share on sales of $847m last time.

The pre-tax capital gains include $318m realised from the sale of 20 per cent of the stock in American Television & Communications, the group's cable television subsidiary. The quarter also included a $50m charge to cover relocation of subscription operations. The magazine division, the books and information services division and the programming division reported lower profits in the quarter, although cable television and book publishing profits were ahead.

The group said its interest income and interest expenses were significantly higher in the quarter, mainly because of the restructuring of American Television's balance sheet in connection with the public stock offering.

Xerox widens benefits of early retirement

BY OUR NEW YORK STAFF

XEROX, the leading US office equipment group which employs about 60,000 in the US, is boosting its early retirement benefits for about 4,000 eligible salaried employees.

The company expects the programme to cut its salary and benefit expenses next year, but would not estimate by how much.

"The programme is part of a continuing effort to improve our competitive strength by reducing costs," said Mr David Kearns, chairman.

Mr Kearns warned earlier this year that the 12.5 per cent increase in six-month earnings from continuing operations had resulted from improved financial services operations. Profits from the group's major office equipment lines were down 28 per cent for the half. Mr Kearns blamed weak demand for reprographic and information systems equipment.

Xerox is amending its existing retirement plan to make increased benefits available to all eligible employees whenever they retire. The cost will be included in the continuing pensions fund.

Until now, early retirement has only been available at the age of 55 with 10 years of service. Under the amended programme, salaried employees who are at least 50 years old with 10 years of service by the end of this year will qualify.

Setback for Hospital Corporation

By Roderick Oram in New York

HOSPITAL Corporation of America, the leading US hospital operator, has reported a 31 per cent fall in net profits for the third quarter, attributable largely to special factors.

Net profit was $53.76m, or 65 cents a share, compared with $78.49m, or 86 cents, a year earlier on revenue ahead by 19 per cent to $1.49bn from $1.26bn. Net income for the nine months to September was $216.69m or $2.57, against $275.35m or $3.04, a year earlier on revenues of $4.51bn against $3.64bn.

Net profits in the latest quarter from continuing operations were flat, however, at 72 cents a share before a 7 cents a share loss on a health insurance unit which was spun off on October 1 into a joint venture with Equitable Life Assurance Society. The year-earlier net profit was 75 cents a share before a gain of 13 cents a share on sale of investments and costs associated with an aborted merger.

The company's hospital occupancy rate for the first nine months of this year slipped further to 48.5 per cent compared with 50.5 per cent a year earlier. This reflected, however, a growing trend towards outpatient services, which are forecast to grow by about one-third this year to account for around 12 per cent of total revenues, the company said.

Henkel to buy Parker Chemical from Ford

BY OUR FINANCIAL STAFF

HENKEL, the West German chemicals group best known for its range of washing powders, plans to acquire Parker Chemical in a move described as an important step in its efforts to expand in the US.

Henkel said the planned acquisition, which will be made by its US holding company, Henkel of America, must still be approved by US regulatory authorities.

Parker, currently owned by Ford Motor, produces and sells metal finish products, lubricants and adhesives.

Parker had annual sales of more than $50m last year and employed about 300 people. Henkel of America had turnover of $286m, equivalent to about 9 per cent of Henkel's world group turnover.

Henkel said earlier this year that it was interested in making acquisitions principally, but not exclusively, in Europe. In July, it acquired French soap maker Union Générale de Savonnerie.

Henkel, which came to the stock market just over a year ago, made profits of DM 175.5m ($89m) for 1985 – an increase of 36 per cent – on sales totalling DM 9.3bn.

Output rises at Beatrix

By Kenneth Marston in London

A FRESH ADVANCE in profits for the September quarter is reported by Beatrix Mines, the young gold producer in South Africa's Gencor group which is being worked as a division of Buffelsfontein.

Apart from the record gold price in the quarter, Beatrix has benefited from a 17½ per cent rise in gold output as a result of increases in both ore grade and tonnage milled.

Beatrix, together with Bracken, Leslie and Marievale – which also report higher earnings – says it has not entered into any further forward gold sales contracts. At current price levels such action is not necessary for these mines although there is also the implication that they take a confident view of the market.

Winkelhaak has also had a good quarter with the help of a higher ore grade, while other good increases in net profits include those of Grootvlei, Unisel and Kinross.

Svenska Cellulosa earnings rise 5% in first eight months

BY SARA WEBB IN STOCKHOLM

SVENSKA Cellulosa, one of Sweden's largest forest product groups, achieved a 5 per cent increase in earnings before extraordinary items, appropriations, and tax for the first eight months. It expects earnings for the full year to be on a level with last year's figure of SKr 1.32bn ($194m).

Earnings for the eight months reached SKr 862m, compared with SKr 822m in the same period last year, with stronger profits from Moelnlycke and SCA Packaging more than compensating for the decline in earnings at its forest and paper products business.

Group sales increased by 21 per cent to total SKr 9.55bn, compared with SKr 7.89bn in the first eight months of 1985. Acquisitions made this year account for about SKr 700m, or 9 per cent, of the increase.

The group said West European demand for forest products had generally been good, and that while prices for several forest products were low at the beginning of the year, those for pulp and fiberboard had risen.

Moelnlycke, the packaging, hygiene and other consumer products group, had sales of SKr 4.18bn, up 40 per cent on last year and helped partly by the acquisition of Edet at the beginning of the year. The operating profit rose to SKr 293m, compared with SKr 189m in the same period last year.

Baakab, SCA's electric power-producing company, showed a decrease in operating profit to SKr 110m, compared with SKr 131m. The group blames low rainfall during the summer months in those parts of Sweden where Baakab has its hydroelectric power plants.

The group expects earnings at Moelnlycke and SCA Packaging to show a considerable increase compared with 1985 levels for the full year, while earnings for the forest and paper products industry are expected to be somewhat lower.

INTERNATIONAL COMPANIES and FINANCE

Daim denies he is big Sime seller

BY WONG SULONG IN KUALA LUMPUR

MR DAIM ZAINUDDIN, the Malaysian Finance Minister, has denied he was the seller of the 70m shares in Sime Darby which were placed in Far Eastern and London stock markets last week.

"Why must the 'mystery' man always be me?" he asked, and added he had sold most of his Sime Darby shares "a long time ago."

"I may have some Sime Darby shares, but not the amount reported," Mr Daim said.

He added, however, that the fact that such a large parcel of shares—some 7.5 per cent of the company—was taken up by overseas buyers was "a good sign" of confidence returning to the local economy.

Reports from Singapore last week said an estimated 70m shares of Sime, the plantation-based group, were privately placed with institutional investors at S$1.75 per share, representing a slight discount over the current price of around S$1.8, and valuing the stake of S$122.5m (US$56.43m).

Malaysian bankers say there could be three possible sellers of the Sime shares: the Singapore-based Oversea Chinese Banking Corporation, Malaysia Mining Corporation, and Peremba, a Malaysian government-owned propery group.

They pointed out that OCBC has been slowly divesting its stakes in Malaysian companies where it does not have effective control, while both MMC and Peremba are in need of cash to finance their core activities.

The ultimate holding company of Sime is Permodalan Nasional, the Malaysian government investment company, which is believed to hold more than a third of Sime's equity.

Meanwhile, Mr Daim has refused to reveal the price at which his family sold off its 50.4 per cent stake in United Malayan Banking Corporation to Pernas, a government agency.

Reports say the Daim family sold its stake at around 9 ringgit per share, or between 330m ringgit (US$125.86m) and 350m ringgit. If this is true, the Daim family could make a profit of as much as 100m ringgit, before taking into account interest and holding costs, bankers say.

● Pernas has reported a slide into the red for the year ended January, the first in its 15-year history, AP-DJ adds.

An after-tax loss of 25.2m ringgit compares with net profits of 11.6m ringgit the year before.

Pernas said deductions for minority interests and extraordinary losses of 11.6m ringgit swelled the final loss for the period to 32.1m ringgit, compared with profits of 4.1m ringgit in 1984-85. This came despite an increase of 4 per cent in turnover to 846.8m ringgit.

Consolidated earnings at Honda plunge 44%

By Yoko Shibata in Tokyo

HONDA MOTOR, the Japanese maker of motorcycles and small cars, yesterday reported a 44 per cent fall in consolidated net profits to Y48.32bn ($301m) in the first half to August, on a 4 per cent decline in sales to Y1,444bn.

Per share net profits dropped back from Y85.36 to Y47.11.

Honda performed better on an unconsolidated basis, with pre-tax profits rising 13.1 per cent to Y41.53bn and net profits ahead 2 per cent at Y20.64bn.

The set back for the group as a whole was attributed to the fact that consolidated overseas subsidiaries were unable to raise prices by amounts sufficient to keep pace with the rapid and sharp appreciation of the yen against the US dollar.

The company's research and development expenses increased by Y8.23bn, contributing to a 50.9 per cent fall in operating profits to Y92.95bn. However, Honda managed to confine the decrease in group net profits primarily because of a boost in equity income from non-consolidated subsidiaries.

Honda said its overseas consolidated subsidiaries showed continued sales increases in their local currencies, but overseas revenues denominated in yen declined by 11 per cent to Y965.3bn to account for 66.8 per cent of total turnover. Domestic sales grew by 13 per cent to Y478.74bn.

During the half-year, unit sales of motorcycles fell 15.4 per cent to 1.52m units, resulting in a 24.3 per cent fall in value sales to Y200.5bn. Car sales rose 16.3 per cent to 764,000 units.

The company did not make consolidated earnings forecasts for the full year. But parent company sales are expected to reach Y2,380.1bn, up 5 per cent, with pre-tax profits of Y83.5bn, up 6.8 per cent.

Koor Industries falls into red

BY JUDITH MALTZ IN TEL AVIV

KOOR INDUSTRIES, Israel's largest industrial company, slid into a loss of US$18m on flat sales of $915m for the first half of 1986, compared with profits of $9.1m for the same period last year. Mr Yeshayahu Gazish, general manager, has announced that a reorganisation programme would be launched early next year.

Industrial exports of $245m—the largest element of its business—also showed little change over the corresponding 1985 level.

The company's move into the red was attributed to the doubling of its financing burden, to $46m; the depreciation of the US dollar, the currency in which most of its earnings are calculated; and a $9m loss suffered by its largest subsidiary, Tadiran—the leading manufacturer of defence and civil electronics.

But Mr Gazish said that he expected Koor's results to improve in the final half of the year, thanks to recently adopted cost cutting measures and the substantial easing of its financing burden. The company recently raised $150m in a US share offering and $73m locally.

The central features of the reorganisation programme, which will involve the creation of eight new divisions, are decentralisation of the company's two largest divisions—metals and foods—into smaller units and new top management appointments. Tadiran, which until now has functioned as an autonomous unit, will be wholly incorporated into the electronics division.

The programme has been criticised by Koor's holding company, Hevrat Ha'Ozdim—the industrial arm of the Histadrut Labour Federation—for concentrating too much power at the top of the company.

Bond to set up Hong Kong corporate base

By Our Financial Staff

MR ALAN BOND, the Australian entrepreneur, is to establish a Hong Kong corporate base for the property and other interests which he is developing in the territory.

Mr Bond is due today to outline his strategy for Hong Kong, where he has been seeking to purchase control of San Miguel, the largest local brewing company, from its Philippine owners.

Meanwhile, his Perth-based Bond Corporation Holdings yesterday announced the planned acquisition of a listed shell company, into which it is to place its new portfolio of residential property.

The HK$1.43bn (US $183.37m) worth of apartment units, bought earlier this month from Hongkong Land, are to be injected into Town and City International, which Bond is to buy devoid of assets for HK$56.3m.

Liberty Life group makes R60m share offering

BY JIM JONES IN JOHANNESBURG

LIBERTY INVESTORS (Libvest) the top company of the Liberty Life insurance group of South Africa, has offered domestic investors at least R60m ($26.84m) of its own new shares.

The company is offering 12m shares on a preferential basis to the insurance group's business associates and a further 18m to outside investors at R2 each.

If the 18m shares public offer is more than five times oversubscribed, management says that it reserves the right to issue a further 7m shares, also at R2 each. The issue will be completed and the shares listed on the Johannesburg Stock Exchange on November 20.

Recent issues and flotations on the Johannesburg exchange have been greatly oversubscribed and Johannesburg stockbrokers believe that this should be the case with Libvest. If the additional 7m shares are issued Libvest would have 180.4m shares in issue.

Mr Donald Gordon, Libvest's chairman, says the issue is planned to enlarge the company's capital base, to provide funds for diversification into new investments and to give Liberty executives an interest in a quoted company.

At present Libvest's principal investment is an 84 per cent interest in DGI Holdings, an unquoted company which has as its principal interest a 33.3 per cent interest in Liberty Holdings. In its turn, Liberty Holdings' principal interest is 55.5 per cent of Liberty Life, South Africa's third largest insurance company.

Libvest is owned by Mr Gordon and senior executives of the Liberty group. So, too, is the remaining 16 per cent of DGI Holdings, though these holdings are to be transferred to Libvest over the next 10 years or so to make DGI a wholly-owned subsidiary of Libvest.

In the financial year to February 1986, 78.9 per cent of Libvest's R14.5m pre-tax profit was derived from the Liberty Life group. The attributable profit after tax is forecast to increase to R13.5m in the year to February 1987 from R11m in the last financial year.

On the basis that the 7m additional ordinary shares are issued, a dividend of 2 cents will be declared in March next year. That is equivalent to an annualised 7 cents a share.

Liberty Life itself has sustained an annual compound profit growth of about 20 per cent since the early 1960s and in 1985 earned a taxed surplus of R64.1m against the previous year's R47.4m. Total assets rose to R8.41bn at the end of 1985 from R 6.67bn at the end of 1984.

In September the company announced plans to merge with Prudential Assurance Company of South Africa, the 64 per cent-owned subsidiary of Prudential Assurance.

Minorco sees improvement

By Kenneth Marston, Mining Editor

MINERALS and Resources Corporation (Minorco), the Bermuda-registered international investment arm of South Africa's Anglo American Corporation-De Beers group, expects improved earnings.

Mr Julian Ogilvie Thompson, chairman, says in the annual report that this should support a higher dividend level. For the past year to June the final dividend was raised by 2 cents (US) to 18 cents, making a year's total of 24 cents against 22 cents.

PUBLIC WORKS LOAN BOARD RATES

Effective October 15

Years	Quota loans repaid by EIP† %	Quota loans repaid A‡ %	Quota loans repaid at maturity§ %	Non-quota loans A* repaid by EIP† %	Non-quota loans A* repaid A‡ %	Non-quota loans A* repaid at maturity§ %
1	—	—	11⅛	—	—	11⅞
Over 1 up to 2	11⅛	11⅛	11⅛	12⅛	12⅛	11⅞
Over 2 up to 3	11⅛	11⅛	11⅛	12⅛	12⅛	11⅞
Over 3 up to 4	11⅛	11⅛	11⅛	12⅛	12⅛	11⅞
Over 4 up to 5	11⅛	11⅛	11⅛	12⅛	12⅛	11⅞
Over 5 up to 6	11⅛	11⅛	11⅛	11⅞	11⅞	11⅝
Over 6 up to 7	11⅛	11⅛	11⅛	11⅞	11⅞	11⅝
Over 7 up to 8	11⅛	11⅛	11⅛	11⅞	11⅞	11⅝
Over 8 up to 9	11⅛	11⅛	11⅛	11⅞	11⅞	11⅝
Over 9 up to 10	11⅛	11⅛	11	11⅞	11⅞	11⅝
Over 10 up to 15	11⅛	11	10⅞	11⅞	11⅝	11¼
Over 15 up to 25	10⅞	10⅞	10⅞	11⅝	11⅝	11⅛
Over 25	10⅞	10⅞	10⅞	11⅝	11	11

* Non-quota loans B are 1 per cent higher in each case than non-quota loans A. † Equal instalments of principal. ‡ Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

INTERNATIONAL CAPITAL MARKETS and COMPANIES

Unusual deal for Denmark finds favour in late trading

BY CLARE PEARSON

EURODOLLAR bond prices were marked down yesterday morning ahead of the releasa of US retail figures for September. These figures failed to provide direction to the market and bonds ended up slightly lower on the day.

Yesterday's main talking point was a new $300m five-year issue of Denmark. This is usually structured as e fixed-rate bond which the investor can exchange for e floating-rate note (FRN). It is designed as a defensive instrument againsgt a deterioration in the fixed-rate market.

Many dealers shorted the bond immediately after its announcement, before they had examined its put option. This was because its 40 basis point yield margin over US Treasury bonds seemed tight relative to other five-year deals, especially since Denmark has been a frequent borrower in the Euromarket this year. However, later in tha day, the issue's price shot up to 101½ bid, against a 101¼ issue price.

Morgan Stanley International, the lead-manager, invited a group of only 10 co-managers into th edeal, small for an issue of this size. One co-manager said his allocation amounted to only $400,000.

Investors have the option from next February to convert the 7¾ per cent bond into en FRN due in December 1988, paying interest at six-month London interbank bid rate (Libid) flat, but if they do so they will lose accrued interest on the fixed-rate bond.

Denmark's last FRN was priced at Libid less ⅛ point, and Morgan Stanley argued that this pricing was in line with the market.

On reflection, most dealers felt the deal represented value. The market will now be watching how the price settles down over tha next few days.

Nikko Securities led e $50m equity warrants bond for Suzuki Motor, while prices of equity warrants bonds generally fell oo continuing concern about the Tokyo stock market. The five-year issue has an indicated 3½ per cent coupon.

Elsewhere in the Eurobond market, two Australian dollar issues were launched, following three last week. This created some concern that the market was becoming oversupplied, although the lead-managers of yesterday's deals noted strong Continental demand.

Security Pacific Hoare Govett, in its first Eurobond lead-management, launched an A$50m deal for Security Pacific Australia, guaranteed by the parent Security Pacific which is rated Doubls A plus by Standard & Poor's. Tha three-year 14½ per cent bond was priced et 101½.

Meanwhile Orion Royal Bank, which co-led Security Pacific's deal, launched an A$30m three-year bond for Hamburgische Landesbank. The 14½ per cent issue was priced at 101½.

Prices of longer-dated, and especially zero-coupon D-Mark bonds, fell by up to 1 point yesterday. The market took its cue from early weakness in tha US Treasury market in the absence of any other factors.

In the Swiss franc market prices were unchanged, with two new issues trading for the first time. Walt Disney's SFr 107m 4¾ per cent 10-year bond closed at 99, which is ½ point below its issue price. Japan Finance Corporation's SFr 100m 12-year 4¾ per cent issue closed at 99¼, which is ¾ points below issue price.

Union Bank of Switzerland led e SFr 100m five-year note issue with equity warrants for Daiwa House Industry, a Japanese pre-fabricated house builder. The deal will be priced on October 20, but the indicated coupon is 2¾ per cent.

Heron in $150m Europaper programme

By Peter Montagnon, Euromarkets Correspondent

HERON, the privately-owned UK property and finance company, is to enter the Eurocommercial paper market. It has appointed Bank of America International and Orion Royal Bank to act as dealers on a $150m programme.

The programme, which is expected to be heavily drawn, is part of an arrangement to replace with lower-cost borrowing an earlier note issuance facility assembled for Heron in 1984.

Though the Eurocommercial paper will not be specifically underwritten, it is effectively backed up by a $125m standby credit recently put in place for Heron by Orion.

This three-year renewable deal was increased from an original $100m. It carries an annual facility fee of 10 basis points and drawings will carry interest at a margin of 15 basis points over the London interbank offered rate for Eurodollar deposits plus a utilisation fee of up to 7½ basis points depending on how much is drawn.

Separately, Shearson Lehman Brothers announced yesterday that it has been appointed sole dealer on a $150m certificate of deposit programme for the London branch of West Germany's Berliner Bank. This is believed to be the first such programme for a German bank and it provides for the issuance of CDs with maturities between two weeks and five years.

Pennwalt Corporation, the US chemicals and health products manufacturer, has launched e $50m Eurocommercial paper programme for which Citicorp and Philadelphia National will act as dealers.

Tim Coone describes the damage done by a parallel market

Argentina grapples with bank reform

THE FINANCIAL centre of Buenos Aires is as busy and frenetic as any of the world's major money markets. The sums that pass through it may not be as great but are of e scale which reflect the country's size as an important world producer of beef and grains and a semi-industrialised nation of 30m people. Nonetheless, ask any economist in Argentina where reform is most urgently needed in the economy, and the answer will probably be the banking system. The reason is that the system has failed as a means of mobilising domestic savings and channeling them into long-term investment.

A first step towards improving the system has been taken by a measure seeking to eliminate the flourishing parallel financial market in Buenos Aires. It has been met with cautious optimism by bankers and businessmen — cautious, because the results take time to manifest themselves, and because Argentinian money market operators are remarkably adept in outwitting those who try to regulate them.

At the beginning of the month the new Central Bank directorate (executive board) issued a decree permitting banks and authorised financial institutions to reward any future increases in deposits at competitive interest rates with only 3 per cent reserve requirements on any deposits over 8,000 Australes (US$734,000).

Until now, deposits have been subject to 72 per cent reserve requirements whila interest rates have been largely controlled by the Central Bank. The tightness of credit available under this system, implemented in 1982, encouraged the development of a flourishing parallel market, known as the inter-company market because of its origins, involving company-to-company loans. Free of reserve requirements, it has been able to compete keenly with the legal banking system through substantially lower "spreads."

The high level of reserve requirements was imposed to control the money supply growth effects in the economy caused by the country running a strong balance of payments surplus from 1982 onwards—itself used to service the mushrooming foreign dabt.

Shift of focus

The Central Bank however, through rediscounts to large state and private companies, the Government and regional banks (which are the main financiers of local governments) became the biggest lender in the financial system. At an Argentina banking conference in August, Mr Jose Luis Machinea, the new Central Bank presidsnt said that the rediscounts represent 50 per cent of the total deposits in the system.

Mr Machinea's first major reform will therefore shift the focus of lending away from the Central Bank and the parallel system, back to tha formal banking institutions. Yet tougher regulations will be needed.

The spectacular export-finance scandal centred around the directors of Banco Alas, the small co-operative bank, which defrauded the Central Bank of $100m over the past year and e string of banking collapses in recent years, the most spectacular of which was the Banco de Italia in 1985, have made that need ebundantly clear.

Mr Alfredo Concepcion, the previous Central Bank president, has not yet been publicly questioned as to how such a fraud managed to slip by unnoticed during his presidency. He is also now accused of involvement in fraud or criminal negligence by tha State Prosecutor for Administrative Investigations, in another case involving rediscounts to e small private bank. He was e political appointee of President Alfonsin and the repercussions may eventually be felt at the highest levels of government.

An overhaul of the banking regulations is proposed in a new law which is to receive its first hearing in Congress this week. The draft being put forward by the Central Bank outlaws the parallel financial system, and vests the monetary euthorities with considerably greater powers of supervision, investigation and control that at present.

The proposals have already run into opposition though. The Foreign Bank Association in Argentina has protested at discriminatory measures which will require its member banks to maintain twice the level of minimum capital as local banks. Local bankers complain that the new regulations will be excessive. Profitable out-of-book operations, many in the parallel market, will now become more difficult to conceal.

Tighter control

Meanwhile, tighter control of money supply targets will sharply reduce future Central Bank rediscounts and the availability of on-lending in future debt renegotiation packages, according to Mr Eilbaum, the new director of the Central Bank. Long-term finance will therefore be even harder to obtain n the immediate future.

Government hopes are that the financial reforms and economic stabilisation will create the conditions for the development of a long-term capital market. According to Mr Eilbaum, "Our first priority is to institutionalise the financial system through the reforms. The second is to control inflation. Our economic policy has to concentrate on the latter because if we don't control inflation, there is no hope of a long-term capital market ever emerging in Argentina. If we do not develop such a market, there is little prospect for long-term growth."

Tokyo to lower trust commissions

By Our Tokyo Staff

THE Japanese Investment Trusts Association will lower sales commissions on stock investment trusts from the start of next year.

The measures are designed to cope with an increase in redemption of stock investment trusts before maturity and the switch to new funds. The move aims to encourage long-term investments.

The net asset value of Japanese investment trusts in September increased by Y753.2bn to an all-time record of Y28,459.5bn.

Toyota Motor to make record domestic CB issue

BY YOKO SHIBATA IN TOKYO

TOYOTA MOTOR, Japen's largest manufacturer of cars as well as its largest company, will issue Y200bn ($1.3bn) worth of convertible bonds (CBs) in the domestic market, with payment scheduled for December.

This will mark the largest ever CB issue by a Japanese company, doubling the Y100bn issues floated by such companies as Hitachi and Mitsubishi Heavy Industries.

Toyota plans to use the funds for its capital investment. Capital outlays, including the development of new technologies and products and expansion of production facilities, will reach Y330bn in the current year to June 1987, against the previous year's Y381.7bn.

The company's cash position is by no means tight. It has the largest surplus of cash at hand among Japanese corporations which has earned it the nickname of "Toyota Bank."

In the year ended June 1986, the management of its Y1,297.4bn of surplus money generated Y142.6bn, an increase of Y15.6bn from 1984-85.

Wendy's drops Pepsi for Coke

By Our Financial Staff

WENDY'S, ONE of the biggest fast-food restaurant groups in the US with 3,700 outlets in North America and abroad, announced yesterday that it is dropping Pepsi-Cola in favour of Coca-Cola Classic because of PepsiCo's purchase last summer of Kentucky Fried Chicken, a leading restaurant competitor.

"In recent months, Pepsi has acquired another restaurant chain," said Mr Robert Barney, Wendy's chairman. "Their interests are now in conflict with Wendy's and we will not support a company that is trying to make our customers its customers."

US analysts said yesterday that the switch-over would cost Pepsi about 5 per cent of its US fountain sales, though less than 1 per cent of its total sales. Wendy's and Coca-Cola estimated the value of the new business to Coca-Cola at about $1.6bn over the next five years.

PepsiCo, which is the world's biggest fast-food operator with the Kentucky Fried Chicken, Taco Bell and Pizza Hut chains, said the loss of Wendy's business would be "a terrible shock."

FFr416m rights from Legrand

LEGRAND, the French household electronics group, plans to raise FFr 416m through a rights issue of non-voting preferred shares, AP-DJ reports from Paris.

The offer will allow investors to buy one new share for FFr 3,650 for every 10 held. Investors not owning Legrand stock will be able to purchase 10 subscription rights for FFr 160.

The issue, scheduled to begin on October 20, will be co-managed by Banque de l'Union Europeenne and Banque Nationale de Paris, with about 20 per cent of the shares aimed at foreign investors.

Legrand said it plans to use the proceeds from the issue to fund investment opportunities, with the accent on foreign development.

Last year, Legrand had consolidated net income of FFr 191m on consolidated turnover of FFr 4.47bn.

Approval for airline merger

By Our New York Staff

THE US Department of Transportation has given tentative approval to Texas Air's acquisition of People Express, the troubled cut-price airline.

The decision seems likely to keep People Express from filing for protection from its creditors under Chapter 11 of the US bankruptcy code. On Monday it said it expected to report e substantial loss in the third quarter, including e $55m deficit from Frontier Airlines, its subsidiary already operating under Chapter 11.

The DoT said the proposed merger, under which Texas would take on People and the assets of Frontier, was not likely "to substantially reduce competition."

Malaysian central bank eases liquidity ratios

BY WONG SULONG IN KUALA LUMPUR

BANK NEGARA, the Malaysian central bank, has further relaxed the statutory and liquidity ratios of commercial banks, a move that will have the effect of releasing 1bn ringgit (US$ 385m) to ease current tight liquidity.

With immediate effect, the statutory reserve ratio for commercial banks will be lowered by 0.5 percentage point to 3.5 per cent, and liquidity requirements will be reduced by 1.5 percentage points to 17 per cent.

Statutory reserves and liquidity ratios of merchant banks and finance companies remain unchanged.

Currently tha loan deposit ratio in the banking sector exceeds 100 per cent, compared with 96 per cent last year, while the loan deposit ratio of some foreign banks is as high as 140 per cent.

Statutory and liquidity ratios were last revised last January. At that time, the liquidity ratio of commercial banks was brought down by 1.5 percentage points to 18.5 per cent.

At the same time, the statutory reserve of merchant banks and finance companies was raised by 0.5 percentage points to 3 per cent to narrow this gap between the various financial institutions. Tha January measures freed 650m ringgit into the system.

Japanese convertible team leaves Wico for BZW

BY HAIG SIMONIAN

THE ENTIRE Japanese convertible trading team at W. I. Carr Overseas (Wico), one of the stockbroking arms of Exco, tha financial services group, has left to join Barclays de Zoete Wedd (BZW).

The group comprises Mr Kelvin Saunders, the chief trader, and six other employees, two of whom are from Wico's Tokyo office. All seven, who make up one of the best-known teams in the business, handed in their resignations yesterday morning. No reasons were given for their departure, but money is said to have been a decisive influence.

Both BZW and Wico were keeping tight-lipped about the move yesterday, pending the issua of an agreed statement. However, Mr Rex Cooper, the deputy chief executive of BZW, said: "We are building up our Japanese division rapidly. There are very few British houses which have well-established Japanese divisions and Wico is one of them."

Other members of BZW were, less restrained, however, regarding the arrival of the newcomers as quite a coup. The loss represents a blow to Wico, as trading in Japanese convertible issues is said to be very profitable.

FT INTERNATIONAL BOND SERVICE

Listed are the 200 latest international bonds for which there is an adequate secondary market.

Closing prices on October 15

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AIBD BOND INDICES

WEEKLY EUROBOND GUIDE OCTOBER 10 1986

	Redemption Yield	Change on Week	12 Months High	12 Months Low
US Dollar	8.834	−0.417	10.770	8.738
Australian Dollar	14.272	−0.391	14.630	12.830
Canadian Dollar	10.570	0.142	11.820	10.373
Euroguilder	5.825	−0.529	6.314	5.824
Euro Currency Unit	8.659	1.263	9.524	8.164
Yen	6.363	0.553	7.250	6.207
Sterling	11.410	−0.946	11.932	9.751
Deutschemark	6.424	−0.016	7.210	6.318

Bank J. Vontobel & Co Ltd, Zurich - Telex: 812744 JVZ CH

Dome's key shareholder moves to sever its links

BY BERNARD SIMON IN TIMMINS, NORTHERN ONTARIO

DOME PETROLEUM'S biggest shareholder, the Canadian mining group Dome Mines, has made substantial progress towards severing its links with the debt-burdened Calgary oil and gas producer.

Dome Mines' chairman Mr Fraser Fell said during a tour of the group's Ontario and Quebec gold mine that Dome Petroleum is also actively discussing the sale of its remaining 23 per cent interest in Dome Mines and that the mining company has asked four Canadian banks for a release from its guarantee on C$225m of Dome Petroleum's C$6.3bn (US$4.5bn) debt.

Mr Fell said the two moves should clear the way for Dome Mines to dispose of its 22 per cent shareholding in Dome Petroleum. He said that "our first priority is to disentangle ourselves from Dome Petroleum."

Mr Fell declined to give further details of the negotiations beyond expressing confidence that "in a matter of months we will have this problem behind us."

Dome Petroleum recently proposed a far-reaching recapitalisation plan to its 56 international creditors which would include conversion of a large part of its debt into securities.

Dome Mines' involvement with the hard-pressed energy producer stems from the late 1940s when it formed an oil exploration unit to diversify out of gold production. But the link has become a millstone around Dome Mines' neck, depressing its investment rating and holding up a planned rationalisation of its various mining interests. Among other things, Dome Mines wants to combine the operations of Kiena and Sigma Mines, two adjacent properties in north-west Quebec.

Dome Mines provided the guarantee on a portion of Dome Petroleum's bank loans as part of financing arrangements for the Calgary company's ambitious acquisition of Hudson's Bay Oil and Gas in 1982. The guarantee is supported by a standby line of credit with Toronto-Dominion Bank, one of the four banks which made the original US$1bn loan, known as the Dome Energy loan, to Dome Petroleum.

Dome Mines agreed earlier this year to defer its guarantee fee of C$0.9m a month when the drop in oil prices increased pressure on Dome Petroleum's cash flow.

Dome Petroleum reduced its interest in Dome Mines from 34 per cent to 23 per cent last February to comply with a debt rescheduling agreement reached with its creditors in 1985. But securities firms had considerable difficulty finding buyers for the shares.

Dome Petroleum used more than half the proceeds of the share sale, totalling C$147m, to repay part of the Dome Energy loan. The bulk of any future shares disposed of will also be used to reduce debt. Dome Petroleum's remaining 20.6m shares in Dome Mines are worth roughly C$200m at current market prices.

Allianz may raise up to DM 900m

By Our Financial Staff

ALLIANZ, the West German insurance group, may raise up to DM 900m ($456m) through its planned issue of profit-sharing certificates.

The company said the 3.2m certificates on offer would be formally priced today and that the issue would go ahead on October 27.

Allianz expects the distribution of the certificates to be aimed mostly at foreign fund managers. They are expected to be priced somewhere between DM 200 and DM 300 each.

The funds from the issue will be used to create a strategic financial reserve for foreign investments. Allianz has already named the US as a likely place for its next acquisition. The company recently acquired the Italian group Riunione Adriatica di Sicurta and Cornhill Insurance of the UK.

Each holder of four Allianz common shares will be given options to draw on profit-sharing certificates. Allianz regards the notes as preferable for foreign investors to common stock since foreigners do not qualify for investment tax credits.

Allianz said earlier this month that its claims experience so far in 1986 had been satisfactory and that, on balance, good profits growth had been achieved. It said its 1986 results would reflect these twin factors.

Bell Canada ordered to repay C$206m and reduce rates

BY ROBERT GIBBENS IN MONTREAL

BELL Canada, the Eastern Canada telecommunications utility owned by Bell Canada Enterprises of Montreal has been ordered to reimburse telephone customers C$206m (US$149m) and cut its long-distance rates by an average of 20 per cent.

The Canadian Radio, Television and Telecommunications Commission, which regulates the telephone utility, said credits must be made to customers by January 31 1987 and long-distance rate cuts be in force by January 1.

The rate cuts will cost the company C$234m in revenue in 1987.

The CRTC said economic conditions have changed and Bell Canada's financial performance is much better. Maximum allowable rates of return on equity in 1985 and 1986 are 13.75 per cent and 13.25 per cent, while the actual rate earned by Bell Canada in 1985 was 14.2 per cent and will be 14 per cent this year.

The CRTC found the new rates would allow Bell Canada to maintain its service, while long-distance levels would be reduced to around the same as in New York State. The CRTC has long sought to reduce long-distance costs without raising local rates. For many years Bell long-distance rates have subsidised local rates.

The CRTC also ruled that profits derived from Bell Canada Enterprises' Saudi telephone contracts, worth several billion dollars gross over the past eight years, should not be included in the telephone utility's regulated income base.

Bell Canada said it continues to "face unprecedented growth in demand so that we will have to review carefully our proposed capital spending."

The company said it had not decided yet whether to appeal against the CRTC ruling.

Anglovaal hit by change in taxation

By Kenneth Marston in London

WHILE high gold prices have lifted September quarter working profits of the mines in South Africa's Anglovaal group, earnings have fallen at the net level owing to increased tax brought about by a reduction in tax-deductible capital expenditure.

Aggregate taxed profits of the four mines thus come out 24 per cent lower than in the previous three months at R75.5m ($33.7m).

Hartebeestfontein was additionally affected in the latest period by a sharp fall in profits from uranium and sulphuric acid compared with the higher than normal level of the June quarter.

In the case of the gold and antimony-producing Consolidated Murchison there was a tax charge broadly equal in amount to a tax credit in the previous three months.

Prieska, the group's copper-zinc producer, increased output and, thanks to the interim sales agreement with Zincor, boosted its shipments of zinc concentrates.

Northrop faces losses after a $90m charge

BY DAVID BLACKWELL IN NEW YORK

NORTHROP, THE US military aerospace group, has fallen into the red after taking a $90m charge in the third quarter.

The deficit of $30.5m compares with net income last time of $47.8m or $1.03 a share. Revenues for the quarter were ahead at $1.26bn, against $1.21bn.

The group said the pre-tax charge reflected the lower operating margins which it expects to earn on a "long-term, customer sponsored research and development contract."

At the nine-month stage the group earned $31.9m or 69 cents a share on revenues of $3.95bn, compared with $185.2m or $4 a share on revenues of $3.53bn last time.

Earnings at Northrop have been declining steadily this year. It reported a 14 per cent decline in the first quarter, which was attributed to continuing development spending on the F-20 Tigershark fighter programme.

In the second quarter its earnings fell 75 per cent. The group blamed the fall partly on the absence of some special gains in the comparable quarter of last year and partly on extra costs

Approval for airline merger

By Our New York Staff

THE US Department of Transportation has given tentative approval to Texas Air's acquisition of People Express, the troubled cut-price airline.

The decision seems likely to keep People Express from filing for protection from its creditors under Chapter 11 of the US bankruptcy code. On Monday it said it expected to report a substantial loss in the third quarter, including a $55m deficit from Frontier Airlines, its subsidiary already operating under Chapter 11.

The DoT said the proposed merger, under which Texas would take on People and the assets of Frontier, was not likely "to substantially reduce competition."

Quebec to sell Domtar and Donohue stakes

BY OUR MONTREAL CORRESPONDENT

THE QUEBEC Government plans to sell its indirect controlling interest in Donohue, a Quebec city lumber and newsprint producer, and Domtar, a Montreal-based pulp and paper, building materials and special chemicals group for between C$425m (US$306m) and C$475m.

The 56 per cent interest in Donohue and 28 per cent interest in Domtar are held through the SGF group, the government's industrial holding company. After the privatisation, SGF's assets will be reduced from C$1.5bn to about C$600m.

The government has asked for bids for both control blocks by November 14. It hopes to winnow out the less serious offers by November 28 and then negotiate with several serious contenders. The deals should be completed by next February.

Two bids have already been made for 51 per cent of Donohue, one valuing it at about C$200m and the other at nearly C$250m. Several other groups have been rumoured to be interested in either Donohue or Domtar. The government says it will consider bids from companies outside Quebec, but the successful buyers will probably be Quebec-based.

Bank Leu expects profit gain

BY JOHN WICKS IN ZURICH

BANK LEU, one of Switzerland's big five banks, expects a further substantial improvement in earnings for the current year.

In 1985, net profits had already risen by 17 per cent to a record level of SFr 46.1m ($28.6m), permitting payment of unchanged dividends of SFr 90 per share and SFr 18 per participation certificate on increased capital.

The bank says favourable profits development continued in the third quarter.

Imasco sells more assets

BY OUR MONTREAL CORRESPONDENT

IMASCO, the Canadian fast-food, tobacco and retailing group which is 40 per cent owned by BAT Industries of the UK, has sold two more US building materials units of its Genstar subsidiary for C$146m (US$105m).

Genstar Roofing Products is being sold to a management-investor group, and Genstar Lime to a consortium of Chemical Lime of Fort Worth, Texas, and Lhoist Group of Belgium.

Imasco bought Genstar, a conglomerate, early this year for C$2.5bn

Gencor Group

Gold mining companies' reports for the quarter ended 30 September 1986

All companies mentioned are incorporated in the Republic of South Africa

The GROOTVLEI Proprietary Mines Limited

Average value—gold	(g/t)	28,1	16,2	16,9
—	(cm.g/t)	941	625	863

ORE RESERVES as at 30 September 1986

		Available	Un-available	In-accessible	Total
Tons	(000's)	7720	2130	1050	10900
Stope width	(cm)	112	110	112	111
Value—gold	(g/t)	8,6	8,4	9,6	8,7
—	(cm.g/t)	964	921	1070	966

Ore reserve pay limit was calculated at an estimated gold price of R26 000/kg.

REMARKS

Capital expenditure
Estimated total capital expenditure for the following financial year—R140 758 000.
Commitments in respect of contracts placed—R75 973 000.

Dividends
On 4 September 1986 dividend No. 53 of 250 cents per share was declared payable to members registered on 16 September 1986. Dividend warrants will be posted on 7 November 1986.

No. 6 Shaft System
Preliminary sinking of the ventilation shaft commenced on 1 September 1986 and has reached a depth of 70 metres below collar. Collar work is in progress at the main shaft. All ancillary construction work is on schedule.

STILFONTEIN Gold Mining Company Limited

Company Registration No. 05/33412/06

Directors: W.B. Evans (Chairman); J.H.J. Burke; F.S. Clarke; G.S. Lee*; K.W. Maxwell; C.R. Netscher; T.L. Pretorius; R.A.D. Wilson.
Alternates: H.C.A. Booysen; P.J. Eustace; T.C. Rees; D.J.D. Ross; Dr. F.J.P. Roux; P. Taljaard; J.E. van Niekerk.
Honorary President: J. Scott (Non-executive)
*British
Issued capital—13 062 828 shares of 50 cents each.

OPERATING RESULTS		Quarter ended 30.9.1986	Quarter ended 30.6.1986	9 months ended 30.9.1986
Mined	(m^2)	120 320	127 403	372 768
Ore milled	(t)	426 000	426 000	1 269 000
Gold produced	(kg)	2 018	2 254	6 542
Yield	(g/t)	4,7	5,3	5,2
Working revenue	(R/t milled)	134,52	129,22	130,55
Working costs	(R/t milled)	113,52	104,30	106,06
	(R/m^2 mined)	401,92	348,74	368,40
Working income	(R/t milled)	21,00	24,92	24,49
Gold price received	(R/kg)	28 360	24 363	25 275
	($/oz)	365	338	344

FINANCIAL RESULTS (R'000)			
Working revenue	57 305	55 048	165 668
Working costs	48 359	44 430	134 593
Working income	8 946	10 618	31 075
Sundry income—net	1 305	1 718	6 170
Tribute and royalties—net	(3 013)	(3 088)	(9 468)
Income before taxation and State's share of income	7 238	9 248	27 777
Taxation and State's share of income	2 355	3 657	10 275
Dividend received	—	4 800	4 800
Income after taxation and State's share of income	R4 883	R16 391	R22 302
Capital expenditure	1 677	2 000	5 563
Dividend declared	—	16 022	15 022

DEVELOPMENT		Quarter ended 30.9.1986 Vaal Reef	V.C.R.	Quarter ended 30.6.1986 Vaal Reef	V.C.R.	9 months ended 30.9.1986 Vaal Reef	V.C.R.
Advanced	(m)	6 206	6 602	6 886	4 127	19 394	13 516
Advanced on reef	(m)	506	843	826	611	2 385	2 208
Sampled	(m)	495	785	670	615	2 115	2 186
Channel width	(cm)	28	56	27	60	28	58
Average value							
—gold	(g/t)	40,2	6,1	40,2	8,0	44,1	6,8
—	(cm.g/t)	1 150	342	1 068	481	1 159	403
—uranium	(kg/t)	0,462	0,075	0,680	0,143	0,694	0,113
—	(cm.kg/t)	13,20	4,20	18,09	8,61	18,26	6,68

REMARKS

Capital expenditure
Estimated total capital expenditure for the remainder of the current financial year—R3 500 000.
Commitments in respect of contracts placed—R596 000.

Dividends
A dividend of 115 cents per share was paid on 6 August 1986.

Gold forward sales
In order to ensure the profitability of its mining operations, the mine has sold forward a portion of its expected gold production to July 1987. Prices range from R29 817 per kilogram in October 1986 to R31 128 per kilogram in July 1987. The attention of shareholders is drawn to the fact that the above transactions may be closed out prior to maturity date, or rolled over at any time. The effect of transactions closed out during the quarter is brought to account in working revenue.

Chemwes Limited

Company Registration No. 64/02378/06
(A subsidiary of Stilfontein Gold Mining Company Limited)
Directors: W.B. Evans (Chairman); J.H.J. Burke; F.S. Clarke; G.S. Lee*; K.W. Maxwell; C.R. Netscher; T.L. Pretorius; R.A.D. Wilson.
Alternates: H.C.A. Booysen; P.J. Eustace; T.C. Rees; D.J.D. Ross; Dr. F.J.P. Roux; P. Taljaard; J.E. van Niekerk.
*British
Issued capital—1 000 shares of R1 each.

OPERATING RESULTS Uranium		Quarter ended 30.9.1986	Quarter ended 30.6.1986	9 months ended 30.9.1986
Pulp treated	(t)	600 000	558 000	1 694 000
Oxide produced	(t)	63,9	61,3	187,0
Yield	(kg/t)	0,106	0,110	0,111
FINANCIAL RESULTS (R'000)				
Net income after taxation		R2 769	R3 885	R9 462
Capital expenditure		10	76	121
Dividend declared		—	6 000	6 000

REMARKS

Capital expenditure
Estimated total capital expenditure for the remainder of the current financial year—R100 000.
Commitments in respect of contracts placed—Nil.

Dividends
A dividend of R6 million was paid on 6 August 1986.

KINROSS Mines Limited

Company Registration No. 63/06228/06
Directors: C.R. Netscher (Chairman); J.H.J. Burke; F.S. Clarke; S.P. Ellis; P.J. Eustace; W.B. Evans; B.N.B. Lund; H.A. Smith; M.A. Watson.
Alternates: D.J. Bergman; J.A. du Plessis; K.M. Hosking; T.C. Rees; D.J.D. Ross; J.C. Willemse.
Issued capital—18 000 000 stock units of R1 each.

OPERATING RESULTS		Quarter ended 30.9.1986	Quarter ended 30.6.1986	Year ended 30.6.1986
Mined	(m^2)	149 763	131 613	541 761
Ore milled	(t)	535 000	525 000	2 155 000
Gold produced	(kg)	3 210	3 179	13 328
Yield	(g/t)	6,0	6,1	6,2
Working revenue	(R/t milled)	180,09	144,99	164,30
Working costs	(R/t milled)	70,22	67,74	63,63
	(R/m^2 mined)	251,38	270,42	253,10
Working income	(R/t milled)	109,87	77,25	100,67
Gold price received	(R/kg)	29 756	23 799	26 476
	($/oz)	362	345	342

FINANCIAL RESULTS (R'000)			
Working revenue	96 347	76 120	354 076
Working costs	37 569	35 564	137 120
Working income	58 778	40 556	216 956
Sundry income—net	2 510	2 533	11 566
Income before taxation and State's share of income	61 288	43 089	228 522
Taxation and State's share of income	34 882	26 051	140 625
Income after taxation and State's share of income	R26 406	R17 038	R87 897
Capital expenditure	5 194	4 581	18 561
Dividend declared	34 200	—	68 400

DEVELOPMENT—Kimberley Reef				
Advanced	(m)	5 220	5 055	20 631
Advanced on reef	(m)	1 347	1 199	5 264
Sampled	(m)	1 338	1 200	5 223
Channel width	(cm)	27	31	39
Average value—gold	(g/t)	37,0	28,0	21,1
—	(cm.g/t)	1 006	868	826

ORE RESERVES as at 30 September 1986

		Available	Un-available	In-accessible	Total
Tons	(000's)	7 890	1 480	340	9 710
Stope width	(cm)	113	111	112	113
Value—gold	(g/t)	8,5	8,5	13,0	8,7
—	(cm.g/t)	960	945	1 452	976

Ore reserve pay limit was calculated at an estimated gold price of R26 000/kg.

REMARKS

Accident
The directors and officers of the company wish to record their deep regret regarding the accident on 16 September 1986 in which 177 employees lost their lives. The company is committed to discovering the cause and preventing any such disaster in the future by continuing to strive for safer mining practices. The production loss is expected to be of the order of 80 000 tons of ore to the mill and will be reflected in the next quarter's financial results.

Capital expenditure
Estimated total capital expenditure for the following financial year—R41 413 000.
Commitments in respect of contracts placed—R4 968 000.

Dividends
On 4 September 1986 dividend No. 37 of 190 cents per stock unit was declared payable to members registered on 18 September 1986. Dividend warrants will be posted on 7 November 1986.

BUFFELSFONTEIN Gold Mining Company Limited

Company Registration No. 05/39834/06
Directors: S.P. Ellis (Chairman); D.J. Crowe*; T.L. de Beer; W.B. Evans; E.P. Gush; G.S. Lee*; C.R. Netscher; T.L. Pretorius; T.I. Steenkamp; L.W.P. van den Bosch; R.A.D. Wilson.
Alternates: J.H.J. Burke; P.J. Cook; P.J. Eustace; M.D. Hosson; L. Hewitt; T.C. Rees; P. Taljaard; J.E. van Niekerk.
Honorary President: J. Scott (Non-executive)
*British
Issued capital—11 000 000 ordinary shares of R1 each.
—12 400 158 cumulative preference shares of R1 each.

WINKELHAAK Mines Limited

Beatrix mine

ST. HELENA Gold Mines Limited

LESLIE Gold Mines Limited

UNISEL Gold Mines Limited

BRACKEN Mines Limited

WEST RAND Consolidated Mines Limited

MARIEVALE Consolidated Mines Limited

Johannesburg, 16 October 1986

Copies are available from: London Office, 30 Ely Place, London, EC1N 6UA

UK COMPANY NEWS

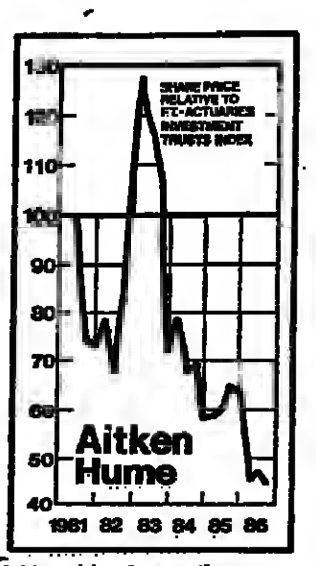
Bid defence costs Aitken its interim

Aitken Hume International, the troubled financial services group, showed some recovery in the opening six months of the 1986-87 year, but the directors said yesterday that they were unable to declare an interim dividend.

They explained that the decision was taken in the light of last year's results and the costs (£920,000) involved in fighting off the unwelcome £89m bid from the Tranwood Group, Mr Nick Oppenheim's shell company.

The offer, launched in May, lapsed in August.

For the six months to September 30, 1986 Aitken Hume saw its profits recover from a depressed £743,000 to £2.60m pre-tax, much in line with City estimates.



The figures included a £143,000 (£1.3m) loss from discontinued activities — the leasing business was discontinued following a full appraisal by the directors of its potential.

Gross revenue improved from £13.33m to £15.57m. The profit before tax on continuing activities broke down as to NSR, the US managed fund arm, £3.01m (£1.83m), UK funds management loss £83,000 (profit £26,000), insurance £743,000 (nil) and banking £398,000 (£448,000). Corporate costs, including unallocated interest, accounted for £1.23m (£256,000).

Tax took £1.15m (£332,000) and extraordinary items, including bid defence costs, £1.14m this time—other extraordinaries were a property loss £364,000 and a strategic investments loss £149,000.

Earnings emerged at 3.37p (1.2p) per 25p share pre-extraordinaries and at 0.89p after such charges.

The directors said yesterday that they would consider recommending the payment of a final dividend in the light of trading conditions.

Last year's final was passed. For the 12 months to March 1986 the group ran up a loss of £2.49m pre-tax, compared with previous profits of £6.8m. After extraordinaries, the loss on the bottom line totalled £9m.

See Lex

Helene downturn as new subsidiary incurs loss

A loss of £114,000 incurred by its newly-acquired subsidiary, Peter Barron (Models), pulled back pre-tax profits at Helene of London, manufacturer of fashionwear, in the six months to June 30 1986.

Profits were down from £624,000 to £480,000 on turnover up from £10.25m to £12.39m. The interim dividend is unchanged at 0.5p net, but stated earnings per 10p share were down from 1.1p to 0.8p.

The directors said trading in the first half proved extremely difficult, aggravated by the loss at Peter Barron. Consideration for that company was returnable pound for pound if profits during the next five years were below £300,000 after tax in aggregate. Nevertheless, the directors were taking steps to correct the situation.

The second half had started reasonably well but, because of the importance of the Christmas trade, it was too early to anticipate the final outcome.

PHIT urges rejection of 160p tender bid

By Paul Cheeseright, Property Correspondent

Property Holdings and Investment Trust (PHIT) shareholders will be urged to reject the tender offer of 160p a share, plus a top-up payment, from Apex Group of New Zealand, for 29.9 per cent of the equity.

Mr Arthur John, the PHIT chairman, said yesterday that the lines of his company's defence had still to be defined but he classified the offer as "an unsatisfactory attempt to obtain a measure of back door control."

He doubted whether Apex, controlled by Mr Graham Hamilton, had much of a contribution to make to the development of PHIT.

The PHIT shares yesterday nudged through the basic tender price to 163p, a rise of 8p on the day.

Apex is believed to be the second New Zealand company to stalk the British property sector, the first being Chase Corporation. In New Zealand it is in the process of merging with Kupe Investments, so that a single group with a market capitalisation of about NZ$500m (£175.5m) will be created.

Apex/Kupe operates as an investment trust with securities in Australia, New Zealand and the UK.

Broadly, the two companies are cash-rich shells. Apex has $54m of property holdings with development plans worth $300m. But it is an unknown quantity on the British market.

The terms of its tender offer for PHIT shares, worth a total of £37.47m, at 160p a share, suggest that once a top-up payment is added, Apex is seeking a listed British vehicle.

Although Apex stated in its formal offer that it considered a 29.9 per cent stake in PHIT a "strategic investment," it added that it would not make a general bid for PHIT unless the offer is over-subscribed, in which case it "may reconsider."

A top-up to the 160p would be made if Apex put in a general offer for PHIT which went unconditional, or if somebody else made an offer and Apex accepted for the shares it holds.

The amount of the top-up payment would be the difference between 170p and the price above that, per share, of any general offer.

Albert Fisher goes for more US expansion as profits double

BY MIKE SMITH

Albert Fisher Group, the food distribution and service company, yesterday announced that pre-tax profits in the year to August 31 were more than doubled at £8.36m. Most of the expansion was accounted for by acquisitions but organic growth was put at 35 per cent.

The company has also announced its fifth purchase in the US since October 1984, that of the Los Angeles fruit and vegetable distributor Apex Wholesale Produce for a maximum of $6m (£4.2m). In addition e one-for-three scrip issue is proposed.

In 1986, Fisher achieved a turnover of £116m against £84.9m in the previous year. Earnings per share rose 51 per cent to 11.5p.

The final dividend of 0.9375p on increased capital means the company will be paying out the equivalent of the 2.25p total it had forecast. For the current year, directors expect to maintain the 2.25p total because of the scrip issue, this would represent e one-third increase.

In its statement the board said it believed the strength of management and operations would enable the gronp to broaden its product range internationally. It was confident 1987 would present exciting opportunities for expansion.

For the year to end-August, the UK food division saw pre-tax profits of £1.79m, up 46 per cent on 1985's £1.2m (adjusted to include the results of acquisitions as if they had previously been part of the company). UK Distribution was 63 per cent ahead at £1.58m and the third division, US Food Services, showed growth of 26 per cent to reach £4.99m.

The accounts included an extraordinary charge of £453,000 for the book loss made on disposals. After tax of £2.2m (£995,000) profits attributable to shareholders were £5.68m (£2.53m).

Apex supplies major restaurants, hotels and hospitals in southern California and Nevada and employs 80 people. In the 13 months to the end of August it made pre-tax profits of $733,000 on a turnover of $21.64m and at the year-end had net tangible assets of $750,000.

Fisher will pay $3.5m cash initially but the three vendors, who will enter two-year service contracts on completion of the sale, will receive up to $2.5m depending on the profitability of Apex over the next two years.

● comment

It is just two years since Fisher acquired its taste for US companies but American margins of 9.3 per cent in 1985-6 show how easily it can digest them. With gearing at only about 20 per cent it is only a question of time before the company goes on the acquisition trail again. The aim, however, is geographical balance and Fisher is also looking to broaden its base in the UK. On both sides of the Atlantic Fisher's strengths in health and convenience foods and its growing ability to add value to its products should ensure that its standing target for organic growth of 20 per cent is easily surpassed for the current year. The City is expecting pre-tax profits of £11m, putting the shares at yesterday's close of 193p, up 1p, on a prospective price earnings ratio of about 14. For the sector that it high, but Fisher has excellent prospects and there is scope for an even better rating.

Rockware edges further ahead

Rockware Group, the glass and plastics manufacturer, showed a rise in pre-tax profits from a restated £106,000 to £193,000 for the 26 weeks to June 29, 1986.

Sir ePter Parker, the chairman, said the company was now in the third year of its aggressive recovery programme.

Profit included £515,000 which resulted from a reduction in pension contributions offset by redundancy payments.

Group turnover fell from £56.62m to £55.83m, which excludes inter-company sales of £1.6m.

The company's glass interests reported turnover down from £47.61m to £46.25m, with operating profit before interest and exceptional items down significantly from £1.2m to £626,000.

Sir Peter said Rockware's glass business had borne the brunt of the completion of the new long-term furnace strategy which had involved the rebuilding of two furnaces at Portland and Wheatley, the running down of two furnaces at Bagley, and the re-opening of the mothballed furnace at Headlands.

Glass profits were further hit by exchange losses and debts amounting to £359,000 from Nigeria and Zambia.

Sir Peter said he expected the benefits of the large-scale reorganisation to come through in the second half and added that Rockware had reduced its glass production costs in line with reduced selling prices.

Plastics reported an increase in turnover from £8.17m to £8.56m, with operating profits up to £595,000 from £516,000.

The success of the plastics division was largely due to the results of the Kingston and Norwich plants—figures showed Rockware's Golborne operation was not yet profitable.

Rockware's engineering concerns turned in an increase in turnover from £838,000 to £1.01m but operating profits slumped from £164,000 to £109,000.

Sir Peter said that good export performances by the Burwell Reed and Kinghorn operations had failed to show through fully in the profits because of the poor price levels in the UK glass container industry.

Rockware reported an extraordinary debit of £93,000 and attributable loss to ordinary shareholders amounted to £538,000. The loss per share fell from 2.33p in the restated results for the equivalent period last year to 1.83p.

Reborn Guthrie doubles to £6.7m

IN ITS first figures since its re-appearance as a public company, the Guthrie Corporation increased its pre-tax profits from a depressed £3.5m to £6.68m in the six months to June 30 1986.

Mr Jock Green-Armytage, managing director, said the disparity between the first and second half performance would be much less marked in 1986 in view of the unusually depressed figures for the first half of 1985.


Mr Jock Green-Armytage, managing director of Guthrie Corporation

He was confident that results for the year as a whole would show a satisfactory improvement over the previous year.

The improved first half results were largely attributable to good performances from the aviation services and automotive components divisions. Although turnover in the aviation services division declined from £58.01m to £41.45m, as a result of reduced demand for new planes, the decision to broaden the range of Page's activities had brought improved results.

In the electrical equipment division, Trench Electric continued to perform well, but Ajax suffered from the decline in the steel and metal fabrication industries in the US. Turnover for this division fell from £28.76m to £21.68m.

The Australian companies in the textiles and floor coverings division faced difficult trading conditions, but Duralay further strengthened its position in the UK market and extended its product range.

Group turnover overall was down from £163.81m to £148.73m, but operating profits for the opening half were £8.24m against £5.88m. A breakdown of operating profits by division showed: aviation services £2.6m (£1.13m); electrical equipment £58,000 (£1.7m); fire protection equipment £2.13m (£1.22m); automotive components £2.52m (£645,000); textiles and floor coverings £895,000 (£842,000), and trading £41,000 (£138,000).

● comment

These figures came only two months after the born-again Guthrie was re-listed on the market in a £123m flotation priced at 150p and those close to the action are well pleased. The sharp rise in profits from Aviation Services owes much to brokerage fees on the sale of two wide-bodied jumbo jets in this half. The sale of four more of these circa £25m planes in the second half will push the division strongly ahead of last year but the group's major aircraft bag will then be empty leaving 1987 dependent on the performance of the solid but less exciting service activities. Automotive components, thanks to the Ford Taurus contract, will soon be challenging Aviation for the top spot as fire protection is held back by the impact of lower oil prices on customers. The group probably suffered £1m from a stronger pound half against half and any weakening in sterling is seen as good news. Forecasts have stabilised around £17m pre-tax and the shares at 177p are likely to await a clearer 1987 picture before moving on.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
Abbey Life ....int	2.5	—	2.2	—	6.9
Aitken Hume ......int	nil	—	2.25	—	2.25
Allebone ....int	0.25	Dec 5	0.25	—	1.5
Bejam Group	2.25	Nov 24	2	4.25	3.75
Conrad Holdings ...int	1	—	—	—	2.5
Cradley Print	1.65	—	1.5	1.65	1.5
Delyn Pkg ....int	1	Oct 27	1	—	3
Eleco Hldgs	3.1	—	2.7	4.6	3.7
Albert Fisher	†0.94	Jan 9	0.84	1.94	1.5
Fogarty ....int	1.6	Nov 14	1.6	—	4.25
Helene of London ...int	0.5	—	0.5	—	1.63
House of Lerose ...int	3	Dec 5	3	—	8.4
Leisure Investments ...	‡10.5	—	—	0.5	—
Monotype Corp ...int	‡1.6	—	—	—	—
Municipal Props ...int	7	Nov 11	—	—	12.1
Tay Homes	‡3.71	—	3.1	5.25	4.5
Utd Ceramic Dist ...int	‡1	Dec 15	1	—	3.75

Dividends shown in pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ Gross

UK COMPANIES

Beazer sells 29% stake in BM and nets £9m profit

BY NIKKI TAIT

C. H. Beazer, the fast-growing housebuilding group, is selling just over half its stake in BM Group, the construction industry supplier, for a profit of around £9m.

Beazer announced yesterday that it has sold 7.25m shares in BM—approximately 29 per cent—through stockbrokers Scrimegour Vickers. The shares have been placed with a range of institutions.

That leaves Beazer holding 6.4m shares—or 25.8 per cent—which the company has said it intends to retain for not less than 12 months.

Beazer shares were unchanged at 180p on the news, while BM weakened 5p to 215p.

The Beazer stake was acquired when it made a £4.5m agreed bid for BM—then Braham Miller—in June 1984. The following November, Beazer injected three of its engineering companies into BM in return for shares. Its initial cash offer was 40p but it has sold out around the 200p level, giving proceeds of over £14m in cash. The difference between the net asset value of the equivalent BM stake on Beazer's books and those proceeds are put at £9m.

According to Mr H. Thorne, a director of Beazer and a non-executive director at BM, "BM is now a good-sized public company and continually being tagged as a Beazer subsidiary was diminishing its stature. For Beazer, it was an oppotunity to raise a substantial profit on the investment." The two companies, which are run autonomously, are also both active on the takeover scene—most recently, with an offer for Benford Concrete in BM's case and with a tender offer for Dallas-based Gifford-Hill from Beazer—and this has caused timing problems.

Mr R. Shute, chairman and chief executive of BM, is buying 30,000 BM shares from Beazer, raising his total holding to 184,000, or just under 0.1 per cent. Mr Thorne will remain on the BM board in his present capacity.

Lowe Howard diversifies

BY ALICE RAWSTHORN

Lowe Howard-Spink & Bell, the international advertising agency, yesterday announced the acquisition of Richards Publications, which trades as the Wight Company as a sponsorship and event management consultancy.

The acquisition forms part of Lowe's ongoing strategy of diversifying away from advertising into other areas of the marketing services industry. In September when Lowe acquired the public relations consultancy, Good Relations, it created a new division—Lowe Bell Communications—to accommodate all its non-advertising activities.

Lowe will pay an initial consideration of £150,000 in cash for the Wight Company and has undertaken to pay a series of three performance-related payments which could bring the eventual consideration up to a maximum of £1.7m by the end of 1989.

Within Lowe Bell Communications Lowe plans to include companies specialising in design, packaging, public affairs, sponsorship and public relations.

Eglington and Osceola in £6m merger

By Nikki Tait

Two small Irish oil and gas companies — Eglington and Osceola Hydro-carbons — have agreed a £6m merger.

For every 30 shares in Osceola, Eglington is offering 22 of its own, plus warrants to subscribe within five year for five shares in Eglington at 18p a share. With Eglington standing 1p higher at 14p yesterday the merger terms—ignoring the warrant consideration — value Osceola at just over 10p and the combined group at around £6m.

The two companies already have links—Eglington's founder and chairman, Mr E. O'Connel, is also a director of Belfast-registered Osceola and both companies invested in a Colombian oil prospect when hopes of large finds pushed Eglington shares to 633p. Mr O'Connel, who took no part in the decision to recommend the offer terms, holds a 2 per cent stake in Osceola, plus options over a further 4 per cent of its shares.

Amari parts company with broking firm

Amari, one of Europe's largest independent metals and plastics distributors, has parted company with Hoare Govett, formerly joint brokers to the company alongside Kitcat & Aitken.

Hoare Govett is believed to have been concerned about the sales by Amari directors of presonal shareholdings in the company without prior notifications to its brokers. The share sales occured in 1986 and again last April. At the end of May, Amari announced a £10.5m rights issue.

Last week, Mr J. Pither, managing director of Amari, sold some further preference shares from his personal holding without prior consultation with Hoare Govett, and shortly afterwards the company severed its links with the brokers. Kitcat will now act as sole brokers to the company.

Amari directors were unavailable for comment yesterday. Amari shares wer 1p higher at 111p.

BOARD MEETINGS

TODAY

Interims—J. Billam, Brewmaker, Cowells, Downiebrae, East Rand Gold and Uranium, Elswick, Hunting Associated Industries, London Atlantic Investment Trust, Micro Focus, Nu-Swift Industries, River and Mercantile Trust, Sangers Photographics, Scottish Mortgage and Trust, Smaller Companies International Trust, TDS Circuits, Tranwood.

Finals—Fleming Japanese Investment Trust, Free State Consolidated Gold Mines, G. R. (Holdings), Highland Electronics, John Kent, Orange Free State Investments, Welkom Gold Mining.

UK COMPANY NEWS

Currencies blamed for Fogarty fall

BY ALICE RAWSTHORN

Fogarty, the home furnishings manufacturer, yesterday reported a sharp fall in pre-tax profits to £126,000 in tho first six months of the year dno to lack lustre retail sales and the impact of adverse exchange rates on raw material costs.

"Of course we are disappointed with our performance in the first half," said Mr Robert Fleet, Fogarty's chairman. "But wo faced e number of exceptional problems which should be resolved in the second half paving the way for recovery in 1987."

In the six months to June 30, Fogarty's turnover rose to £18.3m (£17.3m), but pre-tax profits foll from £810,000 to £126,000.

Earnings per share tumbled to 0.2p (2.7p) although the board proposes to pay e maintained interim dividend of 1.6p.

The most significant factor behind the fall in profits was the strength of the European currencies—tho Deutschemark and Belgian and French francs—in which Fogarty sources raw materials.

This orased £250,000 from profits in the first half of the year and should cost £600,000 in the full year. Fogarty proposes to change its suppliers, opting for eterling and dollar denominated products from early next year.

Sluggish retail sales also hampered the company's performance. Whereas retailers increased demand for home furnishings in the surprisingly buoyant first half of 1985, this year they destocked. Consumer demand was also depressed. These factors cost the company around £350,000.

Internal restructuring also held back growth as Fogarty upgrades its product range, improves productivity and establishes a new division to manufacture products for the elderly. The restructuring programme is now completed, however, and the new products are ready for sale.

"The benefits of the work completed in the first half increased capacity, product innovation and improved productivity should feed through in 1987," said Mr Fleet.

"Although the second half of this year may be disappointing we are optimistic about the prospects for 1987," he added.

● comment

The City had been well prepared for tho fall in Fogarty's fortunes and the company waxed so bullishly about its recovery prospects that the shares rose by 3p to 89p yesterday. The rest of 1986 will be marred by the same factors which influenced these results: the company is locked into supply contracts until the end of the year and retail sales are as sluggish as ever. The market has therefore resigned itself to e fall in profits to £1.8m or so for the full year and is looking ahead to 1987. In the UK, Fogarty is pinning its hopes ou the fruits of restructuring and the introduction of the "under-quilt" which, it hopes, will bring ebout tho same revolution in British sleeping habits in the late 1980s as the duvet did in the early 1970s. Meanwhile the De Vries acquisition offers scope for further growth as Fogarty's first foothold in mainland Europe.

Dutch boost takes House of Lerose to £0.76m

AN ADVANCE in pre-tax profits, from £312,000 to £755,000, was made by the House of Lerose in the first half of 1986.

Mr M. K. Rose, chairman of this ladies' fashionwear designer, manufacturer and retailer, attributed the increase to good results from Holland and the elimination of unprofitable activities et home following rationalisation.

Another bonefit was the change in the seasonal pattern of trado, compared with previous years, which tended to favour the opening half. Profit for the whole of 1985 was £1.2m.

The situation in the UK was not so good. Market conditions were difficult, he said, and retailers reported poor results genorally in their shops.

To meet this, and optimise its performance, tho group was paying particular attention to design and marketing, supported by cost efficient production.

Turnover in the half year was ahoad from a restated £8.77m to £8.99m. After tax £281,000 (£144,000) the net profit worked through at £474,000 (£168,000) for earnings of 8.3p (2.9p). The interim dividend is held at 3p net per share.

Tay Homes picks up to beat £1.8m

TAY HOMES, the Yorkshire-based builrer, has return to its original growth expectations following the adverse affect of the miners' strike on its results in 1984-85.

Its shares on tho USM were unchanged at 183p yestorday, after being a strong market earlier in the week in anticipation of good figures.

In the year ended June 30 1986 the group sold 510 units, against 415, pushed up its turnover from £13.49m to £16.89m and operating profit from £1.19m to £2.32m. Interest charges were lower to leave the pre-tax balance showing a substantial rise from £647,000 to £1.86m.

Earnings were ahead to 21.2p (7.1p) and e final dividend of 3.71p increases the net total from 4.5p to 5.25p. In 1983-84 the pre-tax profit came to £1.02m.

Mr Trevor Spencer, chairman, reported that sales in the early part of tho current year had been vory good and the forward situation was most encouraging. The land bank had been maintained at about two years but more support had been given to Scotland, where shortly it was expected that turnover would equal that of the Northern office.

Tay was seeking to establish another region of operation to provide for future long-term growth, the chairman said.

At the year-end tho group's net asset value was given as 74.7p, compared with 58.8p a year earlier.

Municipal Properties jumps 35%

Municipal Properties, a property investment company, reported pre-tax profits of £256,314 in tho first half to June 30 1986, a rise of 35.4 per cent on the equivalent half's figures of £189,560 last yoar.

Rents received rose sharply to £319,718 (£220,792) and as outgoings moved up only slightly to £98,561 (£98,525), net rental income increased to £221,157 (£122,267). Earnings per share came to 33.23p (23.67p).

The directors said the increase in rents receivablo was due to the acquisition of new primo propertios during the previous year, but added that tho use of funds for these purchases hed resulted in a fall in interest recivable to £28,148 (£50,634).

However, they anticipated thet results for the full year would be in line with the first half.

An interim of 7p will be paid—last year there was e single payment of 12.1p.

Monotype looks to second half profit surge

...Monotype Corporation, the hi-tech printing company which came to the USM in May this year, turned in pre-tax profits up from £288,000 to £413,000 in the first half to Juno 30 1986.

Tho directors said that the company, which was rescued both in 1978 and 1980 and refinanced in 1983, normally achieved a substantial percentege of its profits and sales during tho second half of the year. As this half's figures were consistent with the trend, they oxpected satisfactory full-year figures.

The company, which produces o rango of advanced laser-based phototypesetting machines and includes The Guardian and Today among its clients, reported turnover up to £13.28m as against £12.8m last time.

Tax was down from £76,000 to £42,000. Earnings per share worked through ot 2p (1.4p). Last time's extraordinary debit of £18,000 was not repeated.

The directors said that plans for the rationalisation of tho company's Salfords site were well advancod and, subject to planning consent, they intended starting their proposed phased redevelopment in 1987.

The interim dividend payment will be 1.6p (1p).

Delyn recovery continues with £43,000 profit

Reflecting a continuation of last year's overall improvement and some benefit from a reduction in the proportion of seasonal business, Delyn Packaging lifted its first half operating profit from £11,000 tn £81,000.

After interest charges £38,000 (£31,000) and without the burden this time of the £50,000 exceptional debit, there was a turnround from a loss of £70,000 to a profit of £43,000 at the pre-tax level for the six months ended August 3 1986.

Mr F. Ifor Jones, chairman and chief executive, said the investment in new advanced machinery for the expansion of tho plastics business was continuing. Reorganisation of the paper division was completed and had meant some severance and redundancy payments during the second half.

Earnings in the first half of this year came to 2.16p (loss 3.52p) and the interim dividend is again 1p net per share.

Leisure Investments doubles up

THE STRATEGY of developing its leisure activities enabled Leisure Investments to virtually donble its profits over the 1985-86 year.

The directors said yesterday that the achievements of the past 12 months had created e sound base for a further substantial increase in profits during the current year.

Turnover for the year to end-June 1986 improved by £568,000 to £3.07m and et the pre-tax level profits advanced from £405,000 to £808,000—the company operates amusement leisure centres and snooker clubs.

As foreshadowed in last year's eccounts shareholders are to receive a gross dividend of 0.5p. Tho directors hopo to pay an interim for the current half year.

During the year the company opened a further throo snooker clnbs bringing the total to oleven. The first Ritz Snooker Club has opened in central London and is the company's "flagship fecility."

A £850,000 freehold investment in e club at Sutton, Surrey, is performing ahead of budget.

A further 24 table clnb is being built at Bracknell and scheduled to open in November.

In London o freehold site spanning Oxford Street and Soho Square has been purchased for £2.5m cash with facilities provided by the company's bankers.

A catering division has been formed to exploit a number of catering opportunities that have been identified.

The directors believe this will become an important new division and very beneficial to existing operations.

Tax for the past year eccounted for £214,000 (£91,000) and earnings worked through 1.05p ahead at 2.97p.

The company's shares ere traded on the USM.

UK ECONOMIC INDICATORS

ECONOMIC ACTIVITY—Indices of industrial production, manufacturing output (1980=100); engineering orders (1980=100); retail sales volume (1980=100); retail sales value (1980=100); registered unemployment (excluding school leavers) and unfilled vacancies (000s). All seasonally adjusted.

	Indl. prod.	Mfg. output	Eng. order	Retail vol.	Retail value*	Unemployed	Vacs.
1985							
1st qtr.	106.7	103.5	104	112.4	[illegible]	3,136	153.6
2nd qtr.	108.9	104.5	100	115.0	141.4	3,174	161.7
3rd qtr.	108.4	103.7	102	116.2	145.2	3,124	164.4
4th qtr.	108.4	103.5	105	116.6	177.7	3,122	168.2
1986							
1st qtr.	109.2	102.7	97	118.0	145.4	3,171	164.6
2nd qtr.	108.9	103.5	106	120.2	152.7	3,208	175.1
January	108.2	102.4	98	117.0	145.6	3,152	159.7
February	108.2	103.0	96	117.2	140.9	3,161	165.0
March	109.5	102.9	105	119.8	148.6	3,190	168.8
April	110.7	104.1	99	119.3	152.1	3,200	169.0
May	108.4	103.1	110	118.2	149.8	3,205	171.1
June	107.5	103.4	109	122.4	156.4	3,220	185.2
July	108.8	104.4		120.9	158.2	3,222	195.2
August	110.4	104.1		122.6	155.2	3,224	201.2

OUTPUT—By market sector; consumer goods, investment goods, intermediate goods (materials and fuels); engineering output, metal manufacture, textiles, leather and clothing (1980=100); housing starts (000s, monthly average).

	Cnsmer. goods	Invest. goods	Intmd. goods	Eng. output	Metal mnfg.	Textile etc.	Housg. starts*
1985							
2nd qtr.	103.4	106.0	112.5	105.6	115.9	102.1	18.2
3rd qtr.	104.2	102.2	112.2	103.5	114.4	103.2	17.2
4th qtr.	103.7	102.6	112.5	103.1	111.6	102.8	15.6
1986							
1st qtr.	102.8	102.0	115.2	102.2	110.2	103.1	14.2
2nd qtr.	104.1	101.9	114.2	102.5	111.6	102.9	20.0
January	101.8	102.3	114.2	102.0	111.6	102.0	12.9
February	103.4	102.4	116.2	102.0	110.6	104.0	12.5
March	103.2	103.1	115.4	102.2	110.0	103.0	16.2
April	104.7	102.5	117.2	103.0	109.0	105.0	18.7
May	103.6	101.8	113.6	102.0	112.0	101.0	19.2
June	102.0	101.5	111.9	102.0	114.0	102.2	22.1
July	104.5	102.6	115.4	104.0	112.0	102.2	21.6
August	104.6	101.9	117.0	102.0	112.0	105.0	15.6

EXTERNAL TRADE—Indices nf export and import volume (1980=100); vieble balance; current balance (£m); oil balance (£m); terms of trade (1980=100); official reserves.

	Export volume	Import volume	Visible balance	Current balance	Oil balance	Terms trade	Reserve US$bn*
1985							
2nd qtr.	120.5	124.8	−124	+1,587	+2,411	97.8	14.22
3rd qtr.	116.2	124.1	−453	+1,472	+1,900	102.2	14.18
4th qtr.	118.9	127.8	−282	+612	+1,883	101.6	15.54
1986							
1st qtr.	117.4	126.1	−1,450	+897	+1,922	101.1	18.75
2nd qtr.	120.8	128.1	−1,612	+345	+732	102.4	19.00
February	120.6	125.9	−378	+161	+643	100.7	15.81
March	118.9	132.3	−1,296	−666	+330	100.7	18.75
April	121.5	123.4	−282	+300	+253	101.7	18.96
May	120.8	131.2	−696	−46	+201	102.0	19.17
June	120.7	128.6	−623	+30	+279	102.6	19.29
July	120.6	134.0	−586	+12	+281	102.2	19.00
August	117.3	142.2	−1,496	−886	+211	102.9	18.92
September							22.40

FINANCIAL—Money supply M0, M1 and sterling M3, bank advances in sterling to the private sector (three months' growth at annual rate); building societies' net inflow; HP†, new credit; all seasonally adjusted. Clearing Bank base rate (end period).

	M0 %	M1 %	M3 %	Bank advncs. %	BS inflow £m	HP lending† £m	Base rate %
1985							
2nd qtr.	5.1	22.4	20.4	19.2	1,523	3,052	12.50
3rd qtr.	5.5	15.4	11.6	17.5	1,771	3,374	11.50
4th qtr.	1.4	25.1	17.8	17.7	2,290	3,431	11.50
1986							
1st qtr.	6.5	9.6	16.7	12.2	2,229	7,286	11.50
2nd qtr.	2.5	22.0	22.5	26.7	1,433	7,083	10.00
February	4.6	5.3	6.5	6.1	795	2,481	12.50
March	5.1	8.2	14.2	14.6	897	2,393	11.50
April	6.3	21.5	23.5	26.1	755	2,745	11.00
May	2.5	42.5	38.4	27.5	596	2,372	10.50
June	2.5	28.1	26.1	23.5	177	2,461	10.00
July	3.7	28.1	18.5	15.9	227	2,712	10.00
August	5.4	18.5	11.8	17.8	422	2,584	10.00
September					−271		10.00

INFLATION—Indices of earnings (Jan 1980=100); basic materials and fuels, wholesale prices of manufactured products (1980=100); retail prices and food prices (Jan 1974=100); Reuters commodity index (Sept 1931=100); trade weighted value of sterling (1975=100).

	Earnings*	Basic matls.*	Whsale. mnfg.*	RPI*	Foods*	Reuters* cmdty.	Sterling
1985							
2nd qtr.	178.2	138.6	138.4	375.3	338.4	1,654	78.8
3rd qtr.	174.4	133.1	140.3	376.3	335.6	1,706	82.2
4th qtr.	178.9	132.0	141.4	378.1	337.4	1,771	78.5
1986							
1st qtr.	176.1	130.0	142.4	380.8	343.5	1,612	76.1
2nd qtr.	184.6	126.1	145.7	385.7	348.5	1,453	76.1
3rd qtr.		121.2	146.2				
February	177.9	133.5	143.3	381.1	343.6	1,566	74.2
March	182.4	129.4	144.3	381.6	345.2	1,612	74.2
April	184.0	127.1	145.4	385.3	347.4	1,706	76.2
May	182.2	126.7	145.8	385.8	348.8	1,703	76.1
June	185.7	124.6	145.8	385.8	351.4	1,453	75.8
July	185.0	120.0	145.9	384.7	347.4	1,449	74.2
August		122.5	146.3	385.9	348.6	1,461	71.4
September		122.9	146.7			1,544	70.4

* Not seasonally adjusted.
† From January 1986 includes amounts outstanding on credit cards.

UK COMPANY NEWS

Abbey Life raises its interim by 12%

By Nick Bunker

Abbey Life, the life assurance and unit trust group, has announced an interim dividend increased by 12 per cent to 2.5p per share.

The dividend was justified by "encouraging progress" which had continued into the third quarter of the year, said Mr Michael Hepher, group chairman. The group had been particularly active in launching new products, including home loans, mortgage protection policies and Healthmaster (a permanent health insurance policy).

In the first six months of the year, new initial commissions fell to £23.3m, down three per cent on the same period last year, but that was expected because 1985 figures were boosted by a sudden pre-Budget boom in pensions sales, Mr Hepher said.

But in the second quarter of 1986 new initial premiums rose by 22 per cent, which was "a better indication of the underlying trend." Third quarter trading had remained at "a high level" compared with last year.

Sales through the group's agency division had performed "particularly strongly," but the broker division had continued to experience difficult sales conditions with increasing competition from major traditional life companies

Utd Ceramic up 10%

United Ceramic Distributors, the West Midlands-based wall and floor tiles distributor and manufacturer of lead crystal products, increased turnover by 12.4 per cent and pre-tax profits by 10.2 per cent in the half-year to June 30. Profits rose from £116,062 to £127,865 and turnover from £3.73m to £4.19m.

The interim dividend is held at 1p. For the year ended December 31 1985 the company paid a total of 3.75p from pre-tax profits of £255,466.

Bejam rise held to 2.5% as margins are squeezed

WITH THE addition of the Victor Value stores, the Bejam Group pushed up its sales by 19 per cent to £402m in the year ended June 28 1986. But the pre-tax profit showed only a 2.5 per cent rise, from £19.22m to £19.7m.

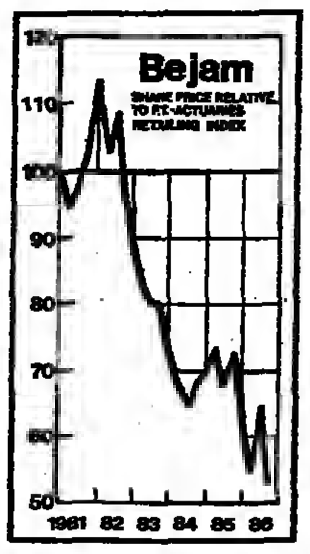
Results of Victor Value (the limited range discount grocery chain) were included for 20 weeks. Its sales reached £34.4m and its profits marginally exceeded the cost of funding the investment, as expected, said Mr John Apthorp, chairman.

Sales in the mainstream business of operating freezer centres rose by 8.6 per cent, from £330.64m to £359m, with food ahead 8.5 per cent to £330.26m and freezers and microwave cooker up 9.4 per cent to £28.78m. Other sales were £8.9m (£8.1m).

Mr Apthorp said the year was active in property terms, with the opening of 18 new freezer centres, four of which were replacements for smaller units.

The resulting net increase in selling space was the most the group had added in one year, bringing the total to significantly above 1m sq ft in 229 locations.

He expressed optimism for the current year. Preliminary figures indicated a "worthwhile



increase" in profits for the September quarter over the same period of 1985. In the first half another 11 branches were expected to be opened.

The 1985-86 profit was struck after employee profit sharing £821,000 (£801,000). Tax took £7.85m (£8.33m) leaving the net profit at £11.86m (£10.89m) for earnings of 9.52p (8.8p). The dividend is lifted from 3.75p to 4.25p net, with a final of 2.25p.

This time there were extraordinary credits of £3.5m (debits £271,000), which came principally from the disposal of a 50 per cent investment in Olaf, a group of food processing companies.

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• comment

The interim figures had warned the market that this was not to be Bejam's best year, and relief that the company managed to make any profits at all took the shares up 5p to 155p. The adverse factors were much as before: rising (and uncapitalised) interest charges on store openings, unseasonal freezer food weather, and overheads outpacing a price inflation rate of just 1 per cent. The sales recovery in evidence for the current year suggests that the prospects are brightening again. Higher turnover at the existing stores, more sales from the new ones, and a net contribution of perhaps £1m from Victor Value should put £23m within reach for a prospective p/e ratio of 13 after a 36 per cent tax charge. At that level the shares may have some upward leeway, but do not appear likely to create mass defections from Iceland Frozen Foods.

Eleco's £2.7m matches forecast

Eleco Holdings, the construction, property and electrical engineering group which successfully fought off a takeover bid from Whitecroft in August, has matched the profits and dividend forecast made as part of its defence. However, the accounts revealed an extraordinary debit of £332,000 as the cost in fending off Whitecroft.

The directors said the management team created over the last three years had amply fulfilled expectations and it was an opportune time for the leading member of the team, Mr M. J. Webster, to take over the responsibilities of group managing director. Mr Webster takes up the post on January 1.

The successful defence of the unsolicited Whitecroft bid, said the directors, had led to the company's shares being re-rated and that, given no serious deterioration in the level of economic activity, the board reaffirmed its confidence in the future progress of the company.

Pre-tax profits for the year ended June 30 totalled £2.72m, up 23 per cent on the previous year on turnover around 8 per cent higher at £27.74m.

The tax charge rose from £582,000 to £849,000. The board proposes a final dividend of 3.1p a share, making a total of 4.6p (3.7p). During the Whitecroft bid defence, Eleco forecast a dividend total of not less than 5.5p for the year ended June 1987.

The major restructuring of the company's interior and exterior lighting division at Romford had been completed and was proving both cost and sales effective, while expansion of the group's electrical trunking business would have beneficial effects on the division's profits.

On the construction side, expansion and profit growth was continuing and the core activities remained buoyant.

APPOINTMENTS

Reorganisation at United Biscuits

UNITED BISCUITS is making changes to its organisational structure. UB Foods Europe (UBFE), under its chief executive, Mr F. W. Knight, has until now comprised the three major manufacturing companies in the UK, biscuits, KP foods and frozen foods, plus distribution and buying. In order that UBFE can be more effective, the functions of research and technology and of management services will become part of the company, Mr David Hoyle and Mr Roger James their respective directors will join the board. Both departments will continue to provide services to other UB companies. Mr Mike Doyle, production director, UB Biscuits, is appointed personnel director of UBFE from December 1. Mr Alan Palmer, managing director of Westimex, is appointed managing director, Continental business. UB Foods US is a new organisation which will encompass both the Keebler Company and Specialty Brands, the two UB food processing operations in the US. Mr T. M. Garvin, president and chief executive of the Keebler Co, since 1978, will be president and chief executive of the company. He retains his current responsibilities at Keebler. There is no appropriate position in the new structure for Mr I. Peter Rosow, president and and chief executive of Specialty Brands, who has left the group by mutual consent.

★

At Group Services the following appointments have been made: Mr Lochy Maclean, has been appointed group director of human resources. Reporting to the chief executive he will be responsible for management development, succession and remuneration. He will also be responsible for ensuring that group companies are pursuing best practice in their dealings and communications within the group and with the outside world. Mr Brian Chadbourne is appointed group business planning director. He will co-ordinate the long-range plans of the business and the formulation of group strategy for the future.

★

Mr George C. Towler has been appointed chairman of MAINMET HOLDINGS following the retirement of Mr J. N. Smallwood at the annual meeting. Mr Towler will also continue as joint managing director, a position he has held since the formation of the group. The group's finance director, Mr Eric Smith has been appointed joint managing director in place of Mr R. A. McFadden, who has stepped down to concentrate on the development of the group's commitment to combined heat and power within the UK.

★

Mr Terry Turner has become sales director for EVER READY. He was previously general sales manager.

At ALEXANDERS LAING & CRUICKSHANK HOLDINGS, the international securities division of Mercantile House Holdings, Mr E. N. Langley, Mr K. O. C. Merrick and Mr R. J. Bolam have been appointed as directors of its investment management division, Laing & Cruickshank Investment Management Services.

Mr A. R. D. McArthur became president of the NATIONAL ASSOCIATION OF STEEL STOCKHOLDERS on October 9. His appointment followed the resignation of Mr T. R. Baxter-Wright from his company which led to his resignation from the association. Mr McArthur is managing director of the McArthur Group.

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price	+ or −	Net. Div.	Times Cov'd	Gross Yield	P.E. Ratio
§43	F.P.	—	59	49	‡Broad St. Grp.10p	50	......	b1.1	2.2	3.1	20.7
§100	F.P.	—	109	105	‡Citygrove 10p	105	−3	R2.5	2.7	3.4	15.3
§130	F.P.	17/10	198	152	‡Creighton Labs 20p	198	+3	U3.7	2.2	2.6	24.0
160	F.P.	24/10	146	123	Euro Home Products 5p	143	......	R4.25	2.5	4.2	11.1
§105	F.P.	16/10	112	105	‡Eve Construction	105	......	u4.5	3.2	6.0	7.4
§195	F.P.	24/10	166	145	‡Great Southern 10p	165	......	R5.2	2.2	4.4	14.1
	F.P.	—	28	27	Group Development	28	......	—	—	—	—
§135	F.P.	24/10	208	145	‡Local London Group 5p	208	+8	W5.0	1.8	3.4	23.4
110	F.P.	5/11	125	119	Marlboro'gh Tech Man 5p	123	−2	R2.70	3.1	3.1	12.4
§105	F.P.	24/10	157	133	‡Miller & Santhouse 5p	157	......	u2.25	2.4	2.0	29.5
—	F.P.	—	30	27	New Australia Inv Wrrts	30	+2½	—	—	—	—
§75	F.P.	24/10	79	73	‡Newage Trans 5p	74	......	R5.5	2.5	6.7	8.4
§25	F.P.	22/10	26½	25½	Nth of Scotland Inv 10p	26½	+1	—	—	—	—
§90	F.P.	24/10	90	88	‡Radamec Group 5p	90	......	R1.28	5.7	2.0	12.3
135	F.P.	24/10	164	151	Sandell Perkins 10p	164	+1	u3.8	2.9	3.3	15.1
100	50	14/11	102	82	TSB	84½	+½	W4.26	3.1	4.5	10.3
¶¶	F.P.	—	385	335	‡Utd. Trust & Credit £1	335	......	u14.0	2.1	5.9	11.6
125	F.P.	10/10	156	136	Yorkshire TV	148	+2	R6.25	2.4	5.9	10.0

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price £	+ or −
‖	Nil	13/11	1½pm	½pm	Comtech Finance 11¼% Cnv. Uns. Ln. 1996	½pm	......
§100	£10	8/1	12½	11	East Worcs. Water 12½% Red Deb 94-96	11	−¼
§100	£10	29/1	10¼	9½	Essex Water 11¾% Red. Deb. 2002-04	9½	−1
‖	Nil	14/11	9pm	6pm	‡Goodhead Print 7% Cnv. Red. Prf	9pm	......
§100	£10	15/5	9½	2½	Mid-Sussex Water11% Red Deb2012-16	2½	−2
§99.937	£25	24/10	25¼	22¼	Nationwide 3⅝% IL Ln. 2021	24½	......
—	F.P.	—	100⅝	98¼	Do 10⅜% 21/9/87	98¼	−⅛
96.645	£25	8/1	24¼	17	Scot. Met. Prop. 10¼% 1stMort.Deb.2016	19⅝	+⅛
—	F.P.	—	114p	104p	Scot. & Newcastle 7% conv. Pref. £1	114p	......
¶¶	F.P.	24/10	122p	115p	WCRS 5½% Cnv. Cum. red. Pref. 1999	116p	−1
¶¶	F.P.	—	95p	92½p	Walker (C & W) 6½pc Cnv Cum Red Pref	94p	......
¶¶	F.P.	—	104p	101p	Williams Hldgs 5¾% Cum Cnv Prf	103p	+2

"RIGHTS" OFFERS

Issue Price	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price p	+ or −
125	Nil	21/11	19pm	8pm	Appleyard Group	19pm	+4
140	Nil	25/11	24pm	21pm	Banro Inds. 20p	23pm	......
180	Nil	5/12	9pm	2pm	Beazer (C.H.) 10p	2pm	......
120	Nil	21/11	22pm	16pm	Brent Chemicals 10p	20pm	......
90	Nil	—	10pm	9pm	Bryant Holdgs	9pm	......
195	Nil	24/10	18pm	3pm	Bund	4pm	......
71	Nil	24/11	6pm	4pm	Burns Anderson 10p	4pm	......
$1.80	Nil	26/11	12½pm	4pm	E.R.I.C.	5pm	......
75	Nil	11/11	30pm	24pm	Ind. Fin. & Inv. Corp.	26pm	−1
85	Nil	5/12	1½pm	1pm	Lawrence (W)	1pm	......
30	Nil	25/11	9pm	3pm	Leisuretime Intl.	3pm	......
18½	Nil	—	1½pm	1½pm	Norfolk Cap 5p.	1½pm	......
160	Nil	—	50pm	32pm	Parrish (J.T.) 5p	50pm	+5
5	Nil	21/11	1pm	½pm	Platignum 5p	1pm	......
140	Nil	13/11	28pm	13pm	Tilbury Group	28pm	......
50	Nil	19/11	7pm	5pm	Thurgar Bardex 10p	7pm	+½
60	Nil	11/11	11pm	8pm	Western Selection 20p	9pm	−1

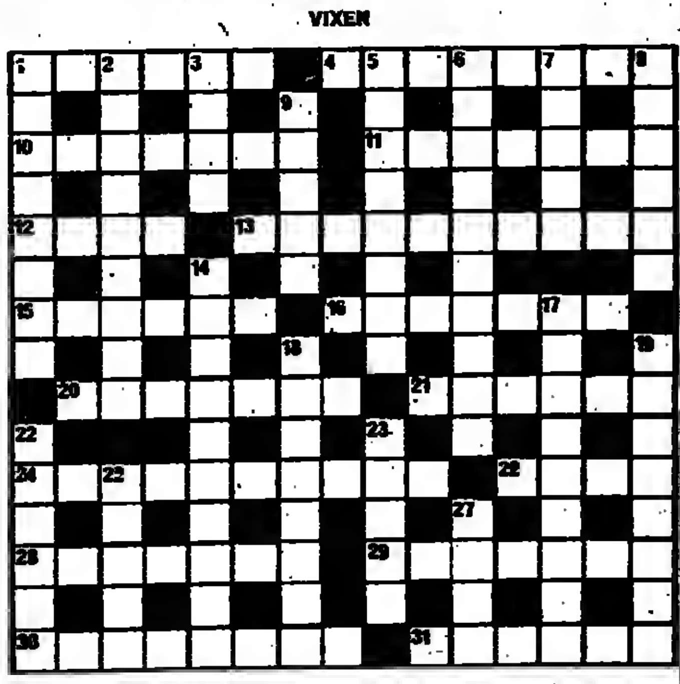
Renunciation date usually last day for dealing free of stamp duty. *a* Annualised dividend. *b* Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. *g* Assumed dividend and yield. *h* Assumed dividend and yield after scrip issue. F Forecast dividend cover on earnings updated by latest interim statement. H Dividend and Yield based on prospectus or other official estimates for 1987. L Estimated annualised dividend, cover and p/e based on latest annual earnings. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma Figures *r* Indicated dividends; cover relates to previous dividend; p/e ratio based on latest annual earnings. *u* Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." §§ Introduction. ** Issued by way of capitalisation. § Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ‖‖ Allotment price. ‡ Unlisted securities market. †† Official London listing. ‡‡ Including warrants entitlement.

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

FT CROSSWORD PUZZLE NO. 6,152

VIXEN



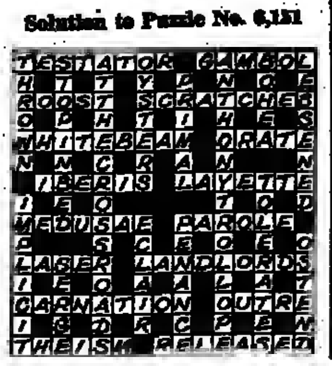
ACROSS

1 Strikes when the trainee remains (6)
4 He'll sell about a thousand back and give voice after (8)
10 Animosity can et the underworld boss corresponding (7)
11 Not remembering is a mean get-out (7)
12 Brought up bottle-opener, blushing (4)
13 A key government official's in control (10)
15 Cured possibly a quarter by diet (6)
16 If a journalist turns on a worker it can appear daring (7)
20 Plain words about a motorway undertaking (7)
21 What one may have for the asking (6)
24 Craftsman giving odd names to son (10)
26 Notes the price is very cheap (4)
28 The converse of friends (7)
29 Brave holding Eastern holy man in the greatest esteem (7)
30 Scraping the bottom (8)
31 A college mentor newly-assigned (6)

DOWN

1 A six-footer spotted this pen perhaps (8)
2 America backing the prodigal may well hold things up (9)
3 The country needs some much bolder investors (4)
5 Guy arranging the testing out of a pitman (8)
6 Agreeing to study, is let in badly (10)
7 So the party gains a certain advantage (5)
8 A hunter without aspiration may get a container (3-3)
9 Nurses having to stop in a back-street (5)
14 Carol embraces an outdoor type running (10)
17 Freetown's built in a well-wooded area (3, 6)
18 He'll slaughter the fools betting! (8)
19 Resort named correctly in good French (8)
22 A dispatch about a number getting rise (6)
23 Secret agent's investment (5)
25 Order half-hose for fatty (5)
27 Hold up English lady (4)

Solution to Puzzle No. 6,151



AUTHORISED UNIT TRUSTS & INSURANCES

Whittingdale Unit Trust Managers
2 Honey Lane, London EC2V 8B7 — 01-606 9085-6

Short Dated Gilt Fd	67.9	69.0		
U S Gov't Bond Fd	$0.515	0.516		

Windsor Trust Mngrs Ltd
83 Kingsway, London, WC2B 6SD — 01-405 8331

Convid & Equity Tst	48.4	51.5		7.62
Growth Trust	51.6	54.9	-0.2	2.26
Income Trust	53.4	56.9	-0.2	5.09

Wright Seligman Fund Managers Ltd
11 Blomfield St, London EC2M 7AY — 01-588 0592

Growth Fund	70.5	74.0		2.90

Weekly dealing day Tuesday

The Yorkshire General Trust
Woodsome Pk, Fenay Bdge, Huddersfield — 0484 602250

Y.G.T.	128.9	137.2	-0.1	3.14

INSURANCES

AA Friendly Society
(Investment Mngt M & G Inv Mngt Ltd)
PO Box 93 Cardiff CF1 4NW — 0222 35542

AA Friendly Sy Oct 8		102.8		—

Abbey Life Assurance Co Ltd
80 Holdenhurst Road, Bournemouth — 0202 292373

Prop. Ser. 1	206.9	217.8		—
Equity Ser. 1	100.6	105.9	-1.2	—
Prop. Acc. Ser 2	278.5	293.2		—
Equity Ser 2	109.3	115.1	-1.4	—
Selective Acc.	234.2	246.6	-1.4	—
Prop. Ser. 4	220.3	231.9		—
Equity Ser. 4	112.6	118.6	-1.2	—
Fixed Int. Ser. 4	175.2	184.5	-1.2	—
Indexed Inv. Ser. 4	110.2	116.0	+0.1	—
American Ser. 4	255.5	268.2	-0.9	—
High Inc. Ser. 4	285.0	300.0	-2.1	—
Japan Ser 4	235.9	248.4	-4.1	—
Man. Ser. 4	346.3	364.8	-2.5	—
Money Ser. 4	196.7	207.1		—
European Ser 4	123.6	130.2	[illegible]	—

Pension Funds

Property	357.7	376.6		—
Equity	757.8	797.7	-8.9	—
Selective	247.9	261.9	-1.6	—

City of Westminster Assurance—Contd.

Far East Fund	217.6	229.1	-2.2	
North American Fund	169.9	178.9	-0.8	
Natural Resources Fund	144.9	152.6	-0.7	
Pension Managed Fund	375.9	395.7	-0.7	
Pension Equity Fund	242.0	254.8	+1.0	
Adventurous Mngd Fd	119.2	125.5	-0.2	
Balanced Mngd Fd	117.2	123.4	-0.1	
Conservative Mngd Fd	110.5	116.4		—
European Fund	107.0	113.5	+0.2	—
International Fund	116.2	122.4	-0.2	—
S.U.N. Flagship Fd	125.0	131.6	-1.0	—

For other prices please telephone 0908 606101/660858

Clerical Medical/Fidelity International
Narrow Plain, Bristol BS2 0JH — 0272 290566

Investment Funds

Mixed	132.4	139.4		—
Equity	149.9	157.8	+1.3	—
Property	109.7	115.5		—
Gilt & Fixed Interest	107.0	112.7	+0.2	—
Indexed Securities	98.2	103.4		—
Cash	108.0	113.7		—
North American	108.3	114.0	+0.1	—
Far East	129.2	136.1	-3.8	—
International	126.3	133.0	-0.6	—
Special Situations	144.2	151.8	+0.6	—
International Income	140.4	147.8	+1.2	—
American Income	118.2	124.5		—
European	152.0	160.0	-0.8	—

Flexible Retirement Plan

Mixed	136.4	143.6	-0.9	—
Equity	143.9	151.5	-0.1	—
Property	116.3	122.4		—
Gilt & Fixed Interest	112.9	118.9	-0.5	—
Indexed Linked	99.9	105.2	-0.2	—
Cash	116.0	122.7		—
North American	113.4	119.4	+0.1	—
Far East	145.1	152.8	-5.6	—
International	134.0	141.1	-1.4	—
Special Situations	162.2	170.8	+0.7	—
European	176.4	185.7	-1.3	—

Executive Investment Pension Plan
Prices on October 8. Unit dealings on Wednesday

Cash Fd.	139.8	147.2		—
Mixed Fd.	188.3	198.3		—
Fixed Int. Fd.	140.9	148.4		—
UK Equity Fd.	219.0	230.6		—
Property Fd.	134.0	141.1		—
Overseas Fd.	191.5	201.6		—
Index Linked Fd.	106.4	112.1		—
Stock Ex. Fd.	152.2	160.3		—

[illegible]

INSURANCE, OVERSEAS & MONEY FUNDS

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

World Fund S.A.
2 Boulevard Royal, Luxembourg
World Fund NAV ... $28.82 | +0.05 | —

World Wide Growth Management
10a, Boulevard Royal, Luxembourg
Worldwide Gth Fd ... $26.59 | — | —

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg
Advanced Tech ... $16.59
Dynamic Gwth Fd ... $19.06

Zero Bond Fund Limited
PO Box 208, St Peter Port, Guernsey 0481 26268
Zero Bond Fund ... $12.00 12.70

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
Charities Aid Fndtn Money Mngmt Co Ltd				
Staple Hall, Stone Ct, Houndsditch, EC3 01-283 6461				
Call Fund	10.49	7.88	11.50	3-mth
7-day Fund	10.52	7.86	11.54	3-mth
The Charities Deposit Fund				
2 Fore Street, London EC2Y 5AQ 01-588 1815				
Deposit	9.50			3-mth
The Money Market Trust				
63 Qn Victoria St, EC4N 4ST. 01-236 0952				
Call Fund	10.95	8.19	12.00	6mth
7-day Fnd	10.24	7.68	11.21	6mth
Oppenheimer Money Management Ltd				
66 Cannon St, EC4N 6AE. 01-236 1425				
Call Fnd	9.49	7.24	10.38	6-Mth
7-day Fund	9.05	6.79	9.60	6-Mth
Dollar	4.87	3.66	5.20	6-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Adam & Co. plc				
22 Charlotte Sq, Edinburgh EH2 4DF 031-225 8484				
Full Service Chq Acc	9.25	6.88	9.58	Qtr
Aitken Hume				
30 City Road, EC1Y 2AY. 01-638 6070				
Treasury Acc	9.25	6.91	9.99	Qtr
Mnth. Int. Chq.	9.25	6.91	10.04	Mth
Allied Arab Bank Ltd				
97-101 Cannon St, London, EC4N 5AD 01-283 9111				
High Int. Cheque Acc	10.125	7.59	11.04	Mth
Bank of Scotland				
38 Threadneedle St, EC2P 2EH. 01-628 8060				
Money Mkt Cheque Acc	9.30	6.95	10.11	Mth
Barclays Prime Account				
PO Box 125, Northampton 0604 252891				
High Int. Cheque	10.50	7.88	11.46	Qtr
Benchmark Trust Ltd				
9 Henrietta Place, W1M 9AG. 01-631 3313				
Cap Chq Deposit Acc	9.25	6.91	10.04	Mth

NOTES

TRADITIONAL OPTIONS

3-month call rates

COMMODITIES AND AGRICULTURE

Saudis get tough with Opec

BY RICHARD JOHNS

HIGH LEVEL pronouncements from Riyadh have become a standard feature of Saudi Arabia's negotiating tactics in the Organisation of Petroleum Exporting Countries (Opec). There had been three such interventions before the statement issued by the Saudi Cabinet on Monday night.

This, however, was the toughest, regarded by many delegates as little short of an ultimatum. The Saudis said they would only agree to continue the present temporary arrangements for limiting oil production to about 16.8m barrels a day if Opec agreed new long term quotas to apply from 1987 onwards.

The Saudi Government also reaffirmed, however, its belief in the need to establish prices in the $17 to $19 a barrel range.

A day earlier the Kuwaiti Council of Ministers made even stronger demands. It said the present two-month interim accord, which expires at the end of the month, should not be renewed unless agreement could be reached for reallocating quotas by November 1.

Until the early part of this year one strand of Saudi and Kuwaiti thinking was that lower oil prices would help to weaken Iran's ability to continue the war against Iraq. This consideration has become less important, however, partly because the Iraqi airforce has shown itself to be more effective, and partly because of the distress which low oil prices have caused to other Opec members.

The Gulf Co-operation Council, consisting of Saudi Arabia and Kuwait with Qatar, the United Arab Emirates, Oman and Bahrain, aims at the recovery by the heavyweight Arab producers of a share of Opec production more in line with the size of their oil reserves.

This concern is reinforced—and complicated—by the fact that members have given about $30bn to Iraq to help its war effort against Iran.

In 1979, the year of Opec's peak output, Saudi Arabia and the UAE accounted for 56 per cent of collective output, including natural gas liquids, totalling 31.67m barrels a day. Last year their share had fallen to 45 per cent of only 17.3m barrels a day.

This was seen to be an untenable position for countries which could produce at very low cost and enjoyed easily the biggest reserves in the non-communist world. For this reason Saudi Arabia and Kuwait took the initiative last December in launching Opec on the hazardous policy of giving priority to recovery of market share—a policy which many Opec members believe was a disastrous mistake.

The Saudi approach had, however, been developed over several years by Sheikh Ahmed Zaki Yamani, the Minister of Oil, with the recent vigorous support of Sheikh Ali Khalifa al Sabah, Kuwait's Oil Minister.

As early as 1981 Sheikh Yamani pointed out the difference of interests between those countries with large reserves and others with much less oil. The Kingdom recognised early that its long-term interest was prolonging the world's dependence on oil—by preventing prices from rising excessively—hence its policy of moderation within Opec during the 1970s.

By the spring, however, when spot oil prices were below $10 a barrel, it was clear that the process had gone too far, with an unco-ordinated scramble for market share. In May the Gulf Co-operation Council decided to seek a restoration of prices to a $17-19 range. This weekend in Geneva, however, some delegates were suggesting that the real Saudi-Kuwaiti goal was still to settle for $15 or less to recapture a bigger market share for fuel oil. It was speculated that they might be seeking a fudged outcome at this conference precisely to keep prices hovering around the level of $14 to $15 a barrel achieved over the past two months.

Although the Saudis' statement reaffirmed a target of about $18 the question remains why it should have taken a somewhat confrontational line just when Opec had achieved a fragile unity.

Kuwait has been even more aggressive in demanding an extra allocation for the last two months of 1986, at a time when demand for Opec oil will not be much more than 17m barrels a day.

States such as Venezuela and Nigeria, with gross external liabilities of $35bn and $20bn respectively, can hardly be sympathetic with pleas about past "sacrifices" made by Saudi Arabia and Kuwait, which have small populations and no debts.

In the circumstances, Mr Gholamreza Aghazadeh, Iran's chief delegate, who was responsible for the present temporary accord agreed here in August, has been surprisingly restrained.

Iran, with its large population and medium-sized reserves, was the member foremost in demanding a "scientific" basis for production entitlements taking into account demography and other factors. Any attempt to find new "parameters" for production quotas would, however, reduce the entitlements of the poorest member states. It could only be partly relevant to any final compromise because everyone wants a bigger proportionate share and no one will accept less.

Surprisingly, the experts' last effort to find objective criteria for deciding quotas has tended to strengthen the position of Saudi Arabia and Kuwait because of the importance of oil reserves, production capacity and historic market share.

Yesterday evening as ministers met once again to thrash out the issue of quotas delegates were still uncertain just how far Saudi Arabia would go in asserting its muscle. It is generally assumed, however, that the heavyweights would not go so far as to revert to a "price war" which they alone can afford.

This year's fall in prices cost members $50bn and cumulatively could mean a loss of $170bn in revenues between 1986 and 1990, according to a recent study by two respected Geneva-based consultants, Dr Nordin Ait-Laoussine and Dr John Gault.

The general view was that the two oil powers were seeking to maximise pressure to exact concessions from the other under any long-term deal. In practice this could only benefit the major producers when demand for Opec oil is at least 2m barrels a day higher than in the immediate prospect. Saudi Arabia is also trying to frighten members who have "cheated" in the past into keeping better discipline.

"Saudi Arabia and Kuwait seem to believe that offence is the best form of defence but in the circumstances such tactics must involve considerable risks," observed one veteran delegate. "It was difficult last night to see any more solid ground than Opec's congenital optimism for the growing assumption that somehow a compromise would be reached by the weekend."

OIL PRICES yesterday recovered the losses made since the beginning of the week, with Brent oil for November delivery changing hands about 150 cents higher at over $14 a barrel.

The move in London mirrored a rise in New York began late on Tuesday. Traders said that the turn was sparked by rumours that Opec was close to reaching an agreement, and although these proved unsubstantiated, some dealers still seemed optimistic that the meeting might end soon.

By yesterday afternoon the price of West Texas Intermediate was up about 30 cents to nearly $15, in trading that was described as thin.

King Fahd of Saudi Arabia

South Pacific fish pact near

BY CHRIS SHERWELL IN SYDNEY

PROSPECTS FOR a long-sought fishing agreement between the US and a number of South Pacific nations appeared to improve yesterday following the tabling of a revised offer from Washington and a firm commitment by US officials to reach a deal.

The outcome of the week-long talks, taking place in the Tongan capital of Nuku'Alofa, is crucial because it could dictate the course of American relations in a strategically important region.

Of particular western concern has been an increase in Soviet influence, although the island state of Kiribati this week banned Soviet boats from its economic zone following the expiry of its controversial year-long fishing agreement. Moscow has also made approaches to Vanuatu and Fiji.

The US is believed to have offered representatives of the 13-nation South Pacific forum about $8.5m a year for the five years of a proposed fishing treaty. The Pacific countries are said to be pressing for an annual sum of $15-16m.

Mr Edward Wolfe, the State Department official leading the US delegation, was quoted yesterday as saying the two sides were now in the process of finalising an agreement and would not be breaking up without initialling a deal. Other reports from Tonga also said the US was determined to reach a conclusion.

The total US offer is thought to consist of licence fees to fish for tuna amounting to $12.5m and an aid package of some $30m.

At the heart of the dispute hitherto has been a US refusal to recognise the exclusive economic zones claimed by the Pacific countries in relation to migratory fish like Tuna. The Pacific countries introduced the zone in response to heavy fishing by US boats.

The countries of the South Pacific forum include Tonga, Kiribati, Vanuatu, Fiji, Papua New Guinea, the Solomon Islands, Tuvalu, Nauru and Australia and New Zealand.

Japan steps up gold purchase

JAPAN HAS been buying large amounts of gold again in a secretive operation which helps support the dollar and makes its record surplus in trade with the US look much lower, Tokyo dealers said yesterday, reports Reuter.

The Finance Ministry denied that it had made any firm decision to mint extra gold coins next year commemorating the 60th anniversary of Emperor Hirohito's accession. But foreign exchange dealers said the Bank of Japan had bought up to $1bn this month to finance extra gold purchases.

Tokyo gold traders spotted the probable government strategy when customs-cleared trade figures for September showed a leap in gold imports to 35.43 tonnes from 19.86 tonnes in August.

Such large gold purchases have two major side benefits for the government.

The need to buy dollars to purchase gold on the international market inevitably supports the rate of the dollar against the yen at a time when Japan does not want a further rapid yen rise, which it says harms its economy.

The effort to buy gold from the US also cuts down the politically sensitive trade surplus. US gold accounted for $101.3m worth of the September imports compared with only 5.8m in August.

Prices rise for Zimbabwe tobacco

BY TONY HAWKINS IN HARARE

ZIMBABWE'S flue-cured tobacco crop increased in value by 26 per cent in 1986 to Z$398m ($215m) mainly reflecting higher leaf prices at the Harare auction sales which ended this week. The flue-cured crop increased 8 per cent in volume to 114m kilos while average leaf prices were up almost 17 per cent at 313c a kg (188 US cents).

After adjusting for currency fluctuations, the average leaf price in US dollars was about 12 per cent higher this year than last year. Tobacco is Zimbabwe's most important export, accounting for about 20 per cent of export revenues.

Commenting on the sales, Mr Jeremy Webb-Martin, the president of the Zimbabwe Tobacco Association which represents growers, said the higher leaf price reflected improved quality. He predicted a significant increase in flue-cured leaf production next season as a result of the decision to lift quotas on tobacco output.

Following last month's call by the Zimbabwe Government for a 50 per cent reduction in maize output, some farmers are expected to grow larger tobacco crops this year. Mr Webb-Martin expressed optimism about the tobacco price outlook for 1987—a sentiment not widely shared here where there is concern over sluggish world demand, rising taxes and import levies on tobacco and the increasingly-powerful anti-smoking health lobby.

There is also concern about the impact on prices of an increase in production from 114m kgs in 1985-86 to a target minimum of 135m kgs next year. Merchants here believe that a 20 per cent increase in crop volumes would exert downward pressure on prices. In the meantime, production costs are continuing to rise at a minimum of 15 per cent.

Confidence returns to the cotton market

BY RICHARD MOONEY

CONFIDENCE is cautiously returning to the world cotton market after the depths to which prices plumbed during the summer.

In early October, the world price rose above 50 cents a lb for the first time in more than six months. Producers, most of whom need a price of 60 cents or more to make a decent return, are not yet out of the woods, but they will certainly be much relieved. Only two months ago, they were watching the New York futures quotation languishing at a 12-year low of 32 cents.

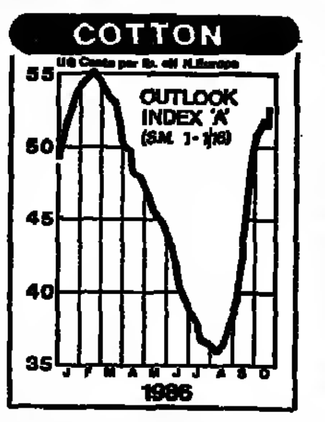
Back in early September, when prices had rallied by about 9 cents from the lows, traders saw it as a technical recovery and had little confidence in its being maintained. Since then, though, there has been a profound change in the complexion of the market.

The revival has been based largely on the misfortunes of growers in the US, which vies with the Soviet Union for second place in the world production league producer (behind China). According to Cotton Outlook, the Liverpool-based newsletter, adverse growing conditions are likely to push US output down to 9.75m bales in the 1986-87 season, compared with 13.43m in 1985-86. And as a result the world total will fall short of consumption for the first time since 1983-84.

"The American crop has taken a bit of a beating" says Mr John Garner, Cotton Outlook's editor. "In Texas they've had one of the worst disasters ever." He blames this on bad planting conditions back in the spring and abnormally early frosts a few days ago.

Overall, Cotton Outlook forecasts a world crop in 1986/87 of 72.34m bales, against world consumption of 74m bales. The projected shortfall may be quite modest, but the prospect of any shortfall at all has been enough to breathe new life into a market which had been bracing itself for a further addition to stocks, which already exceeded 50 per cent of annual demand. And Mr Garner says the expected deficit is more likely to widen than to narrow as the season progresses.

In its more buoyant mood, moreover, the market has been inclined to take a less alarmist view of the stocks position. Some traders have been arguing that the situation was not as bad as it appeared as 17.5m bales, about half the world stockpile, was held by China, which was physically incapable of shipping more than 2.6m bales in any one marketing year. This view now seems to be more widely accepted.



The net result of all this is that the cotton market, while not yet a "sellers' market," is not so obviously a buyers' one.

Because prices are rising, producers are less anxious to sell and buyers are finding it increasingly difficult to extend their forward cover at what they must still regard as "bargain" prices, especially when they compare them with the 90 cents a pound they were having to pay two-and-a-half years ago.

One important question mark still hangs over the cotton market, however, and that concerns US export policy. A low domestic crop and a rise in domestic consumption (forecast at 6.8m bales for 1986-87 compared with 6.49m in 1985-86) means that the US will have less cotton to dispose of on the world market. But that also means that the total budgetary costs of disposing of its surplus by providing export subsidies will be reduced. At the same time the US will be keen to defend its market share from the continuing incursions of cheap foreign competition. So the cotton trade will be watching closely to see how the US Administration walks the tightrope between maximising prices (encouraging for its competitors) and bidding aggressively for market share (raising its own subsidy bill).

LONDON MARKETS

THE GOLD price came under further pressure yesterday with the London bullion market quotation adding $6.25 to Tuesday's $2.25 decline at $423.25 a troy ounce. Dealers said the bearish tone was influenced by doubts that agreement would be reached on new quotas at the Opec talks in Geneva. This would open the way for lower oil prices and hence lower inflation, they explained. The coffee market continued its run of violent fluctuations with a £60 rise to £2,222.50 a tonne, exactly reversing Tuesday's fall. Earlier the market had dipped to 2-month lows before the speculators flocked back encouraged by rumours that Brazil had resumed buying. Tuesday's setback had been partly due to talk that the trader believed to be buying on behalf of Brazilian authorities had suddenly turned from buying to selling. But that trader was reported to be an active buyer again yesterday. Trading was exceptionally heavy with over 13,500 lots (5 tonnes each) changing hands.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

	Unofficial close (p.m.) £ per tonne	+ or −	High/Low
Cash	813-4	−4.5	817/813.5
3 months	819-20	−3.0	823/818/5

Official closing (am): Cash 817-7.5 (821-1.5), three months 822-2.5 (822-2.5), settlement 817.5 (821.0). Final Kerb close: 819-20. Turnover: 20,200 tonnes.

COPPER

Grade A	Unofficial close	+ or −	High/Low
Cash	915.5-6	−3.25	917/917
3 months	914.5-2	−2.5	946/940.5

Official closing (am): Cash 917-8 (916-6.5), three months 942-2.8 (941-1.5), settlement 916 (916.5). Final Kerb close: 940-5.

Standard			
Cash	892-5-5	−3.0	894/894
3 months	918-20	−3.0	919/916

Official closing (am): Cash 894.5-5 (892-3), three months 918-20 (918-9), settlement 895 (893). US Producer prices 62.00-66.00 cents per lb. Total turnover: 46,450 tonnes.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or −	High/Low
Cash	310-11	−1.0	—
3 months	305-6	—	313/302

Official closing (am): Cash 314-5 (312-3), three months 308.5-9 (307-7.5), settlement 315 (313). Final Kerb close: 304-5. Turnover: 13,175 tonnes. US Spot: 24.00-26.00 cents per lb.

NICKEL

	Unofficial close (p.m.) £ per tonne	+ or −	High/Low
Cash	2640-50	−15.0	—
3 months	2608-5	−4.0	2616/2606

Official closing (am): Cash 2,580-60 (2,580-5), three months 2,605-7 (2,595-8), settlement 2,580 (2,565). Final Kerb close: 2,600-5. Turnover: 482 tonnes.

TIN

Kuala Lumpur tin market: Close 14.12 (14.11) ringgit per kg. Up 0.01 ringgit per kg.

ZINC

High grade	Unofficial close (p.m.) £ per tonne	+ or −	High/Low
Cash	618-9	−8.0	—
3 months	615-5-6	−4.75	623/611

Official closing (am): Cash 620-2 (621.5-2), three months 616-7 (616-7), settlement 622 (622). Final Kerb close: 611-2. Turnover: 10,375 tonnes. US Prime Western: 44.00-47.50 cents per lb.

GOLD

Gold fell $6¼ an ounce from Tuesday's close in the London bullion market yesterday to finish at $423-423½. The metal opened at $425¾-426¼ and touched a high of $426¾-426¾. However the recent bullish sentiment appeared to run out of steam and as the metal eased so it triggered stop loss selling down to a low of $420¾-421¼, just above a resistance level at $420.

GOLD BULLION (fine ounce)	Oct. 15	
Close	$423-423½	(£294-294½)
Opening	$425¾-426¼	(£296-296½)
M'n'g fix	$426.30	(£296.522)
Aft'n'n fix	$422.00	(£293.402)

GOLD AND PLATINUM COINS		
Kr'g'r'nd	$424-427	(£294¼-296½)
½ Krug	$223¼-225	(£155½-156¼)
¼ Krug	$114-114¾	(£79¼-79¾)
1/10 Krug	$46¼-47	(£32-32¾)
Mapleleaf	$435-438	(£302¼-304¼)
Angel	$430-434	(£298¾-301½)
1/10 Angel	$45½-48½	(£31½-33¾)
New Sov.	$101-103	(£70¼-71½)
Old Sov.	$102-103½	(£70¾-71¾)
$20 Eagle	$485-565	(£336¾-371½)
Noble Plat	$592-592¾	(£404¼-411¾)

SILVER

Silver was fixed 3.6p an ounce lower for spot delivery in the London bullion market yesterday at 388.45p. US cent equivalents of the fixing levels were: spot 558c, down 6c; three-month 565.1c, down 6.1c; six-month 574.25c, down 6.1c; and 12-month 590.2c, down 5.7c. The metal opened at 388-389½p (558-560c) and closed at 385¾-387¾p (555-557c).

SILVER per troy oz	Bullion Fixing Price	+ or −	L.M.E. p.m. Unoffic'l	+ or −
Spot	388.45p	−3.60	385p	−5
3 months	399.25p	−3.15	393p	−6
6 months	410.05p	−3.85	—	—
12 months	430.55p	−3.50	—	—

LME—Turnover: 10 (44) lots of 10,000 oz.

Three months high 394.5p, low 393.5p, final kerb 392-4p.

SOYABEAN MEAL

Prices rallied in early trade and remained steady on good commercial buying interest, reports Muirpace.

	Y'sterd'ys close £ per tonne	+ or −	Business done
October	152.0-155.0	−0.75	—
Dec.	152.0-152.5	+0.35	152.6
Feb.	155.0-155.5	+0.35	—
April	154.5-155.5	+0.10	—
June	153.0-154.0	+0.25	—
August	152.5-153.0	+0.50	—
October	152.5-155.5	—	—

Sales: 190 (110) lots of 20 tonnes.

REUTERS INDICES

Oct. 14	Oct. 13	M'th ago	Year ago
1592.9	1681.8	1507.8	1706.1

(Base: September 18 1931=100)

DOW JONES

Dow Jones	Oct 14	Oct 13	M'th ago	Year ago
Spot	122.06	122.47	—	115.75
Fut	122.74	123.65	—	117.64

(Base: December 31 1931=100)

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

	Oct. 15 1986	+ or −	Month ago
METALS			
Aluminium			
Free Market	$1290/600	−5	$1585/565
Copper			
Cash Grade A	£916.75	−3.25	£929
3 mths	£941.75	−2.5	£948.75
Gold Troy oz	$423.25	−6.25	$412.625
Lead Cash	£310.5	−2	£281.25
3 mths	£305.5		£284.25
Nickel			
Free Mkt	167/187c		186/198c
Palladium oz	$135.50	−2.0	$143.60
Platinum oz	$566.25	+11.75	$565.50
Quicksilver†	$150/170		$125/130
Silver troy oz	388.45p	−3.60	393.35p
3 mths	399.25p	−3.15	402.70p
Tin			
free mkt	£3860/870	+10	£3750/80
Tungsten	$59.08		$61.25
Wolfram 22.01lb	$34/44		$35/45
Zinc	£618.5	−8.0	£597
3 mths	£616.75	−4.75	£599.5
producers	$920		$920
OILS			
Coconut (Phil)	$317.5z		$250
Palm Malayan	$260v		$205
Copra (Phil)	$195		$155
Soyabean (U.S.)	$161y		$165
GRAINS			
Barley Fut. Jan.	£109.60	−0.55	£107.30
Maize	£145.00		£153.00
Wheat Fut. Jan.	£108.90	−0.15	£106.40
No. 0 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. Mar.	£1545.5	+9.0	£1576.5
Coffee Ft. Jan.	£2222.0	+60	£2462.5
Cotton A Ind.*	50.55c		43.20c
Gas Oil Dec.	$125.75	+4	$125
Rubber (kilo)	57.p	−0.25	55p
Sugar (raw)	$132.0w	−5.5	$124.5
Wooltops 64s	407p kilo		388p kilo

‡ Unquoted. † Per 75-lb flask. c-Cents. s Pound. * Cotton outlook. y Nov-Dec. w Oct-Nov. v Dec. x Jan-Feb. z Dec-Jan.

COFFEE

The market broke recent lows only to make a strong recovery by late afternoon, reports Drexel Burnham Lambert. With little fresh fundamental news to bear on the market, London showed losses of up to £55 by mid-afternoon. With a steadily rising New York market, traders panicked in London and stop-loss buying pushed levels to £80 higher, basis March.

COFFEE	Yesterday close	+ or −	Business Done
Nov	2270-2280	+122.5	2280-2060
Jan	2220-2225	+60.0	2225-2080
Mar.	2165-2170	+50.0	2165-2050
May	2155-2180	+50.0	2155-2065
July	2165-2170	+55.0	2135-2070
Sept.	2150-2175	+57.5	—
Nov.	2140-2180	+45.0	—

Sales: 13,515 (9,388) lots of 5 tonnes.

ICO indicator prices (US cents per pound) for October 14: Comp daily 1979 159.19 (163.20); 15-day average 172.53 (174.48).

COCOA

With futures trading a little more actively, values steadied gradually throughout the day and closing prices were at the highs. Producers continued withdrawn but light consumer offtake was seen at the lower levels of the day, reports Gill and Duffus.

COCOA	Yesterday's close £ per tonne	+ or −	Business Done
Dec	1506-1507	+10.0	1509-1498
March	1545-1546	+9.0	1548-1537
May	1565-1566	+9.0	1567-1558
July	1585-1587	+10.0	1588-1585
Sept.	1605-1606	+8.0	1606-1598
Dec.	1626-1627	+8.0	1628-1619
March	1652-1654	+7.5	1655-1650

Sales: 2,411 (1,275) lots of 10 tonnes.

ICCO indicator prices (US cents per pound). Daily price for October 15: 94.51 (93.99); five-day average for October 16: 93.70 (93.65).

POTATOES

Rumours of a 2 tonne per hectare increase in crop yield compared with last year caused a £20 fall over the past week, basis April. Yesterday's PMB advice that the increase was only 1 tonne per hectare was greeted with mixed sentiment but sparked fresh buying to produce gains of over £4.50 before the market fell back slightly, reports Coley and Harper.

Month	Yesterdays close £ per tonne	Previous close	Business done
Nov	106.60	106.50	108.50-105.10
Feb	115.50	118.50	—
Apr	163.70	159.50	164.50-158.5
May	180.00	177.00	181.00-179.8
Nov	88.50	86.00	—

Sales: 1,427 (1,478) lots of 40 tonnes.

GRAINS

Wheat steadied in early trading with consumer support in forward positions and shipper short-covering in November. Barley found keen shipper selling in all positions. New crops eased on country hedge selling, reports T. G. Roddick.

WHEAT Mnth	Yesterday's close	+ or −	BARLEY Yest'rdy's close	+ or −
Nov.	107.35	+0.05	108.00	−0.80
Jan	108.90	−0.15	109.60	−0.55
Mar	111.10	−0.35	111.50	−0.35
May	113.70	−0.15	113.00	−0.05
July	115.60	−0.65	—	—
Sep.	100.80	−0.50	100.90	−0.35
Nov.	103.80	−0.40	103.40	−0.45

Business done—Wheat: Nov 107.40-7.10, Jan 109.10-8.90, Mar 111.50-1.25, May 113.90-3.60, July 115.60, Sept 100.90-0.80, Nov untraded. Sales: 200 lots of 100 tonnes. Barley: Nov 108.50-8.00, Jan 110.00-9.60, Mar and May untraded, Sept 100.80, Nov untraded. Sales: 129 lots of 100 tonnes.

LONDON GRAINS—Wheat: US dark northern spring No 1 15 per cent, Oct 100.00, Nov 101.25, Dec 102.25. US No 2 soft red winter, Nov 107.25, Dec 108.25. French 11½-12 per cent, Oct 132.00. English feed fob, Oct 112.00-112.50 buyer/sellers, Oct 109.50, Nov 111.00, Dec 112.00, Nov/Dec 111.50 sellers, Jan/Mar 113.00-114.00, April/June 116.00-117.00 buyer/sellers east coast. Maize: US No 3 yellow/French transhipment east coast, Oct 145.00. Barley: English feed fob, Oct 111.50 seller, Nov 112.60-113.00 buyer/sellers, Scottish, Dec 114.50, Jan/Mar 115.50, April/June 118.00 buyers English.

HGCA—Locational ex-farm spot prices (including co-responsibility levy of £3.373 a tonne): Feed barley: Eastern 109.00, E Mids 109.00, N East 109.50, Scotland 104.00. The UK monetary coefficient for the week beginning Monday October 20 is expected to change to 1.274.

RUBBER

PHYSICALS — The London market opened easier, found little interest and closed quiet, reports Lewis and Peat. Closing prices (buyers): Spot 57.00p (57.25p); Nov 65.75p (66.00p); Dec 65.75p (66.00p). The Kuala Lumpur fob prices (Malaysian cents a kilo): RSS No 1 232.0 (233.0) and SMR 20 210.0 (211.0).

FUTURES—Index 665, Nov 654-664, Dec 656-666, Jan/Mar 664-674, April/June 675-683, July/Sept 677-686. Sales: Nil.

SUGAR

LONDON DAILY PRICE—Raw sugar $132.00 (£92.00), down $5.50 (down £4.00) a tonne for October-November delivery. White sugar $179.50, down $3.00.

After some initial hesitation, prices rallied following another tender by India, reports C. Czarnikow.

No. 5 Contract	Yest'rdy's close $ per tonne	Previous close	Business done
Dec.	154.8-155.2	164.2-155.8	155.4-151.8
Mar.	149.2-148.4	147.0-147.4	150.8-144.8
May	154.0-154.2	151.8-152.4	155.0-150.6
Aug.	158.0-158.6	156.2-157.4	155.4-155.8
Oct.	163.2-164.4	161.0-161.8	160.8-158.8
Dec.	167.0-120.4	164.8-168.8	—
Mar.	177.0-179.8	175.2-177.4	—

Sales: 2,740 (2,155) lots of 50 tonnes.

Tate and Lyle delivery price for granulated basis sugar was £194.50 a tonne for export.

International Sugar Agreement—(US cents per pound fob and stowed Caribbean ports). Prices for October 14: Daily price 5.49 (5.56); 15-day average 4.95 (4.89).

PARIS—(FFr per tonne): Dec 1165/1170, Mar 1200/1203, May 1242/1245, Aug 1275/1283, Oct 1308/1318, Dec 1340/1358.

FREIGHT FUTURES

Rumours of a $12.50 fixture for Gulf/Japan and an $9.00 fixture for Gulf/Continent steadied market values in moderate volume, reports Clarkson Wolff.

	Close	High/Low	Prev.
Dry Cargo			
Oct.	783/785	786/775	770/771
Jan.	764/766	768/760	756/758
April	802/805	803/797	796/797
July	716/716	710	714/717
Oct.	815/830	820	820/830
Jan.	800/820	—	800/840
Apr.	950/998	—	940/990
July	830/840	—	830/840
BFI.	786.5		786.5

Turnover: 221 (298).

	Close	High/Low	Prev.
Tankers			
Oct.	762/780	770/765	770/816
Nov.	870/916	—	880/916
Dec.	926/955	—	920/950
Mar.	925/950	—	900/940
June	015/955	—	900/945
BTI.	764	—	770.0

Turnover: 12 (10).

MEAT

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle 93.28p per kg lw (+2.02). GB—Sheep 124.43p per kg est dcw (−0.13). GB—Pigs 75.53p per kg lw (−1.66). GB—AAPP 100.41p per kg dw (−1.17).

US MARKETS

COFFEE FUTURES experienced a technical key reversal as the recent volatility of the market continued with an early 5c loss to take December values to just above 175c per pound, a long-term chart objective amongst some analysts, reports Heinold. However, reports of active roaster interest at these lows encouraged some busy short-covering to leave the market over 5c higher on the day at 185.18c per pound. Floor sources suspected at least one fund operation of covering part of its considerable short position. Gold found support in another key reversal, opening $4 down in the December position to move to lows of $423.2 per oz before finding cautious support, after spot values hovered precariously around $420 in mid-session. Following nervous consolidation late buying, mostly short-covering ahead of today's industrial production figures, took levels to a late test of the $430 level before the market settled at $428.7.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	High	Low	Prev
Oct	52.25	—	—	52.05
Nov	52.40	—	—	52.20
Dec	52.70	—	—	52.75
Jan	52.75	—	—	52.80
March	53.05	52.90	52.90	53.10
May	53.30	—	—	53.35
July	53.55	—	—	53.60
Sept	53.75	—	—	53.80
Dec	53.85	—	—	53.90
Jan	54.05	—	—	54.10

COCOA 10 tonnes, $/tonne

	Close	High	Low	Prev
Dec	1984	1985	1968	1964
March	2017	2018	2005	1997
May	2046	2048	2035	2034
July	2068	—	—	2064
Sept	2083	2090	2080	2074
Dec	2099	2100	2090	2086
March	2100	—	—	2090

COFFEE "C" 37,500 lb, cents/lb

	Close	High	Low	Prev
Dec	185.18	186.30	175.20	179.81
March	182.32	184.00	175.00	179.53
May	182.13	184.00	177.80	181.00
July	182.80	183.10	177.75	181.75
Sept	183.75	177.13	177.13	181.13
Dec	182.00	—	—	181.50
March	183.00	178.00	178.00	182.00

COPPER 25,000 lb, cents/lb

	Close	High	Low	Prev
Oct	59.40	60.20	59.20	59.30
Nov	59.60	—	—	59.30
Dec	59.80	60.00	59.60	59.85
Jan	60.05	—	—	60.05
March	60.40	60.50	60.20	60.40
May	60.50	61.00	60.70	60.65
July	61.15	61.30	60.95	61.10
Sept	61.40	61.30	61.20	61.35
Dec	61.95	—	—	61.90
Jan	62.10	—	—	62.05

COTTON 50,000 lb, cents/lb

	Close	High	Low	Prev
Dec	47.38	48.20	47.36	48.75
March	47.80	48.75	47.90	49.32
May	48.80	49.20	48.70	49.70
July	49.20	49.60	49.15	50.15
Oct	50.05	50.70	50.70	50.97
Dec	50.60	51.20	50.50	51.60
March	50.80	—	—	51.95
March	49.52	—	—	50.25

CRUDE OIL (LIGHT) 42,000 US gallons, $/barrel

	Latest	High	Low	Prev
Nov	14.80	14.96	14.66	14.60
Dec	15.00	15.18	14.85	14.80
Jan	15.00	15.17	14.87	14.82
Feb	14.97	15.10	14.86	14.80
March	14.92	15.03	14.86	14.79
April	14.92	15.00	14.81	14.78
May	14.86	15.00	14.83	14.77
June	14.92	14.95	14.83	14.76
July	14.90	14.90	14.86	14.75

GOLD 100 troy oz, $/troy oz

	Close	High	Low	Prev
Oct	425.6	426.0	421.0	427.2
Nov	426.9	—	—	428.7
Dec	428.7	429.0	423.2	430.5
Feb	432.3	432.8	427.0	434.1
April	435.6	438.0	430.5	437.5
June	439.2	439.2	435.0	441.2
Aug	443.0	441.0	439.0	445.1
Oct	446.8	448.0	442.0	449.0
Dec	450.0	452.0	446.5	453.0
Feb	455.2	455.0	452.0	457.4
April	459.8	458.0	455.8	461.5
June	464.4	462.0	461.5	466.5
Aug	469.3	—	—	471.3

HEATING OIL 42,000 US gallons, cents/US gallons

	Latest	High	Low	Prev
Nov	40.75	41.10	40.15	39.74
Dec	42.15	42.40	41.10	40.90
Jan	43.10	43.40	42.10	41.99
Feb	43.50	43.80	42.80	42.62
March	42.00	42.30	41.60	41.40
April	41.00	41.20	40.70	40.40
May	39.75	40.20	39.75	39.40

ORANGE JUICE 15,000 lb, cents/lb

	Close	High	Low	Prev
Nov	111.75	112.90	110.95	111.90
Jan	112.40	113.25	111.75	111.75
March	113.00	113.80	112.10	112.30
May	113.20	113.40	112.90	112.35
July	113.25	113.60	113.25	113.40
Sept	114.00	—	—	114.30
Nov	114.75	—	—	[illegible]
Jan	114.20	—	—	113.05
March	115.00	—	—	113.00

PLATINUM 50 troy oz, $/troy oz

	Close	High	Low	Prev
Oct	566.2	570.0	558.0	575.7
Dec	571.2	570.0	570.0	580.7
Jan	571.2	574.5	561.0	580.7
April	575.5	577.5	565.0	584.5
July	580.2	580.0	571.0	589.3
Oct	584.7	586.0	582.0	593.8
Jan	589.2	—	—	598.3

SILVER 5,000 troy oz, cents/troy oz

	Close	High	Low	Prev
Oct	557.0	555.0	555.0	559.7
Nov	558.9	—	—	565.4
Dec	561.5	564.5	554.0	564.0
Jan	564.3	563.0	561.0	568.9
March	569.5	572.0	562.0	572.2
May	575.2	578.5	568.0	577.5
July	581.1	580.0	573.0	583.5
Sept	587.4	581.5	581.5	590.2
Dec	596.9	600.0	591.0	598.5
Jan	600.4	—	—	603.4

SUGAR WORLD "11" 112,000 lb, cents/lb

	Close	High	Low	Prev
Jan	6.10	6.00	5.90	6.02
March	6.69	6.77	6.46	6.68
May	6.90	6.96	6.70	6.78
July	7.06	7.10	6.87	6.94
Sept	7.18	—	—	7.04
Oct	7.35	7.37	7.13	7.21
Jan	7.68	—	—	7.54
March	7.85	7.80	7.80	7.74

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

	Close	High	Low	Prev
Oct	62.67	62.97	62.12	62.12
Dec	58.35	58.75	57.75	58.10
Feb	56.42	56.67	56.07	56.25
April	57.20	57.50	57.02	57.20
June	56.77	57.05	56.60	56.82
Aug	55.50	55.95	55.50	55.50
Oct	54.50	54.85	54.50	54.60

LIVE HOGS 30,000 lb, cents/lb

	Close	High	Low	Prev
Oct	55.77	56.40	55.35	55.15
Dec	53.20	54.00	52.90	53.05
Feb	50.90	51.57	50.70	50.97
April	46.25	46.77	46.20	46.42
June	48.70	49.30	48.60	49.05
July	48.10	48.80	48.10	48.35
Aug	46.50	47.25	46.50	46.75
Oct	43.50	43.65	43.50	43.60
Dec	43.75	43.75	43.75	43.75

MAIZE 5,000 bu min, cents/56 lb-bushel

	Close	High	Low	Prev
Dec	163.2	165.0	163.0	165.2
March	174.4	176.4	174.2	176.2
May	181.0	182.2	180.5	182.2
July	184.0	184.4	183.4	185.0
Sept	184.6	185.6	184.6	185.6
Dec	190.4	191.0	189.2	191.0
March	198.0	198.0	197.4	198.0

PORK BELLIES 38,000 lb, cents/lb

	Close	High	Low	Prev
Feb	70.00	70.80	69.25	68.95
March	69.05	70.00	68.55	68.25
May	68.70	69.70	68.35	68.32
July	67.47	68.45	66.97	67.40
Aug	64.30	65.95	64.10	64.82

SOYABEANS 5,000 bu min, cents/60-lb bushel

	Close	High	Low	Prev
Nov	472.6	473.4	471.4	474.2
Jan	480.9	481.4	479.4	482.2
March	488.6	489.2	487.6	489.6
May	495.0	495.0	494.0	496.2
July	499.2	499.2	498.0	499.2
August	498.2	498.6	498.2	498.4
Sept	493.4	493.4	492.4	494.4
Nov	495.6	495.4	493.4	496.0

SOYABEAN MEAL 100 tons, $/ton

	Close	High	Low	Prev
Oct	146.8	146.5	145.7	146.4
Dec	146.2	147.1	146.1	147.2
Jan	147.4	148.5	147.4	148.3
March	148.8	149.7	148.7	149.7
May	149.7	151.0	148.7	150.9
July	150.8	151.8	150.7	151.8
August	151.2	151.5	150.7	152.0
Sept	150.0	151.4	150.8	151.2
Dec	153.0	—	—	153.5

SOYABEAN OIL 60,000 lb, cents/lb

	Close	High	Low	Prev
Oct	14.00	14.00	13.83	13.87
Dec	14.69	14.70	14.45	14.47
Jan	14.80	14.80	14.60	14.61
March	15.09	15.10	14.86	14.93
May	15.30	15.30	15.08	15.06
July	15.37	15.40	15.25	15.20
August	15.35	15.35	15.25	15.20
Sept	15.35	15.40	15.30	15.25
Oct	15.40	15.45	15.25	15.20

WHEAT 5,000 bu min, cents/60-lb bushel

	Close	High	Low	Prev
Dec	277.0	279.6	275.4	280.9
March	267.6	269.0	266.2	269.8
May	253.4	253.6	252.4	254.2
July	242.0	243.0	241.2	242.6
Sept	241.6	243.0	241.6	243.0
Dec	248.5	250.0	248.0	250.0

SPOT PRICES—Chicago loose lard 17.50 (17.00) cents per pound. Handy and Harman silver bullion 554.6 (559.0) cents per troy ounce.

OIL

In the petroleum products market gas/oil was firmer but trade remained thin. Naphtha prices firmed on end-user buying interest and on bullish speculative sentiment. Gasoline was quiet pending the outcome of the Opec meeting. Fuel oil slipped a dollar in thin trade. Spot crude prices were firmer in thin trade. November WTI opened 8c up on Nymex and traded 20c higher at 1.30 pm EDT—Petroleum Argus, London.

CRUDE OIL—FOB ($ per barrel)—Nov.	Latest	Change + or −
Arab Light	—	—
Arab Heavy	—	—
Dubai	13.75-13.85	+0.75
Brent Blend	14.10-14.00	+0.55
W.T.I. (1pm est)	14.05-14.95	+0.50
Forcados (Nigeria)	—	—
Urals (cif NWE)	—	—

PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	163-166	—
Gas Oil	114-116	+1.0
Heavy fuel oil	68-70	−1
Naphtha	117-119	+4.5

* Petroleum Argus estimates.

GAS OIL FUTURES

Month	Yest'rdy's close US $ per tonne	+ or −	Business Done
Nov.	122.00	+4.25	122.25-19.75
Dec.	125.75	+4.00	126.00-23.75
Jan.	100.00	+3.75	128.00-27.00
Feb.	130.75	+3.75	131.00-29.00
Mar.	126.60	+3.00	127.00-26.50
Apr.	124.00	+6.50	124.00

Turnover: 3,203 (2,784) lots of 100 tonnes.

HEAVY FUEL OIL

Month	Yest'rdy's close US $ per tonne	+ or −	Business Done
Nov.	71.25	+1.25	71.50-68.00
Dec.	72.00	—	72.50
Jan.	74.60	+0.25	—
Feb.	—	—	—

Turnover: 108 (47) lots of 100 tonnes.

LEADED GASOLINE

Month	Yest'rdy's close	+ or −	Business Done
Nov.	162.50	−6.00	—
Dec.	161.00	+3.00	—
Jan.	161.50	—	—
Feb.	—	—	—

Turnover: 0 (1) lots of 100 tonnes.

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar loses more ground

THE DOLLAR continued to weaken in currency markets yesterday after disappointing US retail sales figures. A rise of 4.6 per ceot was roughly in the middle of a wide 2-6 per cent range which had been forecast but the non car sector rose by only 0.1 per cent. The figure has a reputation for being unreliable and subject to revisino so that the dollar's bearish trend remained undisturbed.

Nevertheless for the time being there was no immediate desire to push the dullar down too quickly because of the caution instilled by Tuesday's interventioo by several ceotral hanks. There were no signs of any interventino yesterday. The dollar closed at DM 1.9740 against the D-Mark, down from DM 1.9745 on Tuesday and its lowest rate since January 1981. Against the yen it rose to Y154.15 from Y153.90 with some commercial demand for dollars noted from Tokyo. Elsewhere it eased to SFr 1.6145 from SFr 1.6150 and FFr 6.4650 compared with FFr 6.4675. Oo Bank of England figures, the dollar's exchange rate index closed at 108.7 from 108.8.

STERLING—Trading range against the dollar in 1986 is 1.5555 to 1.3700. September average 1.4711. Exchange rate index closed at 67.6 unchanged from the opening and Tuesday's close. The six months ago figure was 76.2

Sterling was unchanged overall in currency markets yesterday. Tuesday's one point rise in UK clearing bank base retes was viewed by many as being insufficient to reverse the pound's bearish trend. However e further rise in cash rates and the threat of further intervention by central banks tended to deter those speculators not already sidelined ahead of today's Mansion House speech by Mr Nigel Lawson, UK Chancellor of the Exchequer.

The pound closed et DM 2.8425 up from DM 2.8375, having touched a record low of DM 2.8300. Elsewhere it finished at Y222.0 from Y221.25 and SFr 2.3260 compared with SFr 2.3225. Against the French franc it rose to FFr 9.31 from FFr 9.2975.

D-MARK—Trading range against the dollar in 1986 is 2.4710 to 1.9740. September average 2.0486. Exchange rate index 142.7 against 132.5 six months ago.

There was no intervention by the Bundesbank as yesterday's fixing in Frankfurt when the dollar was quoted at DM 1.9782 compared with DM 1.9814 on Tuesday. Trading was extremely quiet ahead of the release of US retail sales figures with dealers also wary about pushing the dollar too low after Tuesday's central bank intervention when a concerted effort by several central banks bought in around $1bn. News of a 4.6 per cent rise in retails sales seemed to have a limited effect since the non-car sale component rose by only 0.1 per cent. Consequently the dollar resumed its bearish trend and closed at DM 1.9735 from DM 1.9755.

JAPANESE YEN—Trading range against the dollar in 1986 is 202.70 to 152.35. September average 154.67. Exchange rate index 214.9 against 195.1 six months ago.

Trading was rather quiet and oneveotful in Tokyo yesterday. There was some hesitancy to push the doller lower too quickly in case of contiooed central bank intervention but the US unit still retained its bearish undertone. It closed et Y154.05 against Y153.95 in New York and unchanged from Tuesday's close in Tokyo. Dealers were now ewaiting the realese of US retail figures although it was admitted that as a guide to the performaoce of the US economy this figure was unreliable.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu October 15	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgium Franc	43.1139	43.2472	+0.31	+1.10	±1.5368
Danish Krone	7.81701	7.83944	+0.29	+1.08	±1.6403
German D-Mark	2.11083	2.08057	−1.43	−0.64	±1.1127
French Franc	6.87316	6.81429	−0.86	−0.07	±1.3659
Dutch Guilder	2.37833	2.35151	−1.13	−0.34	±1.5059
Irish Punt	0.764976	0.764261	−0.09	+0.70	±1.6683
Italian Lira	1476.95	1440.69	−2.46	−1.98	±4.0734

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

Oct 15	Latest	Previous Close
£ Spot	1.4385-1.4395	1.4370-1.4380
1 month	0.48-0.46 p.m.	0.64-0.62 pm
3 months	1.52-1.48 p.m.	1.87-1.85 pm

Forward premiums and discounts apply to the U.S. dollar.

STERLING INDEX

CURRENCY RATES

CURRENCY MOVEMENTS

OTHER CURRENCIES

POUND SPOT—FORWARD AGAINST THE POUND

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

EURO-CURRENCY INTEREST RATES

EXCHANGE CROSS RATES

FINANCIAL FUTURES

Firmer tone for gilts

STERLING INTEREST rate contracts were steady to firm on the London International Financial Future Exchange yesterday. The stronger close of long gilt futures reflected short covering ahead of tonight's speech at the Lord Mayor's banquet at the Mansion House by Mr Nigel Lawson, Chancellor of the Exchequer. The market hoped the Chancellor will provide answers to recent criticism, and reassurances about Government economic policy. Dealers suggested that 109 is an important level for December long term gilts, and that if the market is not happy with the Chancellor's speech it will show this by breaching the 109 level, and taking the contract down to around 102.

This would also indicate that the 1 per cent rise in UK bank base rates is not enough to calm the financial markets. But yesterday traders on Liffe were prepared to give Mr Lawson the benefit of the doubt, and were encouraged by the better performance of sterling nn the foregn exchanges.

December long gilts npened weak at 109-26, and fell to e low of 109-17, before recovering with the cash market, to a peak of 110-30, and closing ot 110-27, compared with 110-05 previously.

Three-month sterling deposits for December delivery also opened weaker, at 88.60, reflecting fears that hase rates may have to rise again. The cootract fell to a low of 88.58, before the improvement nf sterling, and covering of short positions, took the price np to e high of 88.79, just nbove the closing level of 88.78, and little changed from Tuesday's close of 88.77.

December US Treasury bonds fell to 94-15 at the London opening, following overnight weakness in Chicego. This reflected rumours that September US retail sales would be np 6 per cent, compared with market forecasts of about 2.5 to 3 per cent. The contract was very volatile just before and after the figure was announced, falling to a low of 94-10, and rising to a peak of 94-26, before closing at 94-19, compered with 95-19 previously. Initial reaction to the sharp rise of 4.6 per cent in retail sales was to sell the contract, but buyers sooo appeared, relieved that the figure was oot 0 per cent. There was little reaction to the news that without car sales the rise would have been e mere 0.1 per cent, because it was already known car sales had been very strong during the period.

LIFFE E/$ OPTIONS
£25,000 (cents per £1)

Strike Price	Calls—Last Nov.	Dec.	Jan.	Mar.	Puts—Last Nov.	Dec.	Jan.	Mar.
1.30	13.83	13.83	13.83	13.83	0.00	0.07	0.26	0.81
1.35	8.83	8.83	8.83	8.83	0.08	0.44	0.93	1.96
1.40	3.90	4.19	4.43	4.69	0.74	1.64	2.49	3.94
1.45	1.17	1.72	2.11	2.58	3.01	4.17	5.17	6.83
1.50	0.19	0.53	0.84	1.28	7.03	7.98	0.90	10.53
1.55	0.02	0.12	—	0.57	11.86	12.57	—	14.82
1.60	0.00	0.02	—	0.23	16.84	17.47	—	19.48

Estimated volume total, Calls 0 Puts 0
Previous day's open int, Calls 1,876 Puts 2,990

LONDON SE E/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls—Last Nov.	Dec.	Jan.	Mar.	Puts—Last Nov.	Dec.	Jan.	Mar.
1.35	8.85	0.95	0.90	9.05	0.35	0.50	1.05	2.05
1.40	4.05	4.30	4.90	5.40	0.75	1.65	2.60	3.95
1.45	1.15	1.80	2.35	3.00	3.00	4.15	5.25	6.75
1.50	0.25	0.60	—	1.60	7.10	0.00	—	10.35
1.55	0.15	0.25	—	0.80	11.95	12.55	—	14.50
1.60	—	0.15	—	0.40	—	17.40	—	19.05
1.65	—	0.70	—	1.50	—	18.70	—	20.20

Previous day's open int: Calls 2,225, Puts 963
Volume: 2

PHILADELPHIA SE £/$ OPTIONS

LIFFE—EUROCOLLAR OPTIONS

LIFFE LONG GILT FUTURES OPTIONS

LIFFE US TREASURY BOND FUTURES OPTIONS

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

LONDON

CHICAGO

CURRENCY FUTURES

MONEY MARKETS

UK rates steadier

INTEREST RATES were fairly steady on the London money market yesterday, as the Bank of England adjusted its market dealing rates to come into line with bank base rates of 11 per cent.

Three-month interbank was quoted at 11⅛-11¼ per cent at the close, compared with 11¼-11⅜ per cent on Tuesday, as dealers waited nervously for tonight's speech by Mr Nigel Lawson, the Chancellor, at the Mansion House.

The market was faced with a very large credit shortage, at a time when discount houses are running small books, and dealers suggested some technical manoeuvring took place in the afternoon between the banks and the houses to enable the Bank of England to buy enough bills to take out the shortage.

UK clearing bank base lending rate 11 per cent since October 15

The Bank of England forecast a money market shortage of £950m initially, but revised this to £1,000m at noon and to £900m in the afternoon. Total assistance of £807m was provided.

An early round of help was given, when the authorities bought £177m bills by way of £1m bank bills in hand 1 at 10¾ per cent; £6m bank bills in band 2 at 10⅜ per cent; £49m bank bills in band 3 at 10⅝ per cent; and £121m bank bills in band 4 at 10⅞ per cent.

Another £191m bills were purchased before lunch, through £30m bank bills in band 1 at 10¾ per cent; £46m bank bills in band 2 at 10⅜ per cent; £97m bank bills in band 3 at 10⅝ per cent; £8m local authority bills in band 3 at 10⅝ per cent; and £10m bank bills in band 4 at 10⅞ per cent.

In the afternoon the Bank of England purchased £399m bills, by way of £25m Treasury bills in band 1 at 10¾ per cent; £88m bank bills in band 1 at 10¾ per cent; £254m bank bills in band 2 at 10⅜ per cent; £21m bank bills in band 3 at 10⅝ per cent; and £11m bank bills in band 4 at 10⅞ per cent.

Late assistance of around £40m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £397m, with Exchequer transactions absorbing £440m; a rise in the note circulation £100m; and bank balances below target £80m.

In Frankfurt call money rose to 4.40 per cent from 4.15 per cent, with bids seen as high as 4.50 per cent, as liquidity drained from the money market. The Bundesbank allocated only DM 5.2bn at Tuesday's securities repurchase agreement tender, compared with an expiring agreement of DM 12bn.

In Tokyo call (unconditional) money was unchanged at 4.28125 per cent, but is likely to fall today because of a money market surplus, estimated at around Y150bn (£680m). Conditions were eight yesterday, reflecting a credit shortage of Y300bn.

MONEY RATES

FT LONDON INTERBANK FIXING

LONDON MONEY RATES

COMPANY NOTICE

TOWE & CITY NEDERLAND N.V.
US$15,000,000 8% LOAN 1988
FINAL REDEMPTION

NOTICE IS HEREBY GIVEN that in accordance with Condition 5 (b) of the Terms & Conditions of the Bonds, Towe & City Nederland N.V. announces that all its outstanding Bonds of the above Loan amounting to US$15,000,000 are to be finally Redeemed at par on 15th January 1987 from which date all interest thereon will cease.

These Bonds, when presented for payment at the offices of the Paying Agents (set out on the reverse of the coupon) in the manner specified in Condition 7 of the Terms & Conditions of the Loan printed on the reverse of the Bonds, must bear coupon No. 15 dated 15th January 1988. Coupon No. 14 should be detached from the Bonds and lodged at the same time for payment.

Principal Paying Agent:
N. M. Rothschild & Sons Limited
New Court
St. Swithin's Lane
London EC4P 4DU

16th October 1986

SKOBANK
US$ 100,000,000 floating rate subordinated notes due 1991

In accordance with the terms and conditions of the Notes, we hereby give notice that the first interest payment date will be April 16, 1987.

Annual interest rate for the period of October 16, 1986 to April 16, 1987 will be 6⅛%. Interest payable will be US Dlrs 306.49 per coupon for US Dlrs 10,000 denomination Notes.

BANQUE GENERALE DU LUXEMBOURG
Societe Anonyme
Agent Bank

CLUBS

ART GALLERIES

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Cont.

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

LONDON SHARE SERVICE

BUILDING, TIMBER, ROADS—Cont

1986 High	1986 Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
77	32	Copson (F.) 5p	58	.....	1.75	1.3	4.2	25.8
588	452½	Costain Group	496	−2	†17.0	2.5	4.8	9.7
483	296	Countryside Props	415	.....	†5.74	5.1	1.9	10.5
183	124	Crouch (D.) 20p	158	+4	†5.93	2.5	5.3	11.5
122	84	Dew (George) 25p	108	+1	ϕ6.0	1.2	7.8	15.3
138	75	Douglas (Robt. M)	118	+2	2.25	2.0	2.7	23.0
24	16½	‡Denton Group 5p	17xd	+½	0.4	ϕ	3.3	ϕ
160	100	‡EBC 50p	120	+5	†h5.72	2.5	6.7	8.3
110	63	Erith	108xd	.....	13.3	2.2	4.5	13.3
165	106	Fairbriar 10p	152	.....	L4.0	2.9	3.7	13.1
97	77	Feb. Intl. 10p	85	.....	1.78	—	2.9	—
71	54	Do. 'A' 10p	64	.....	1.78	—	3.9	—
172	51	Federated Housing 5p	104	−2	73.3	3.0	4.5	10.5
74	56	Finlan Group 10p	74	+8	a3.04	ϕ	7.2	ϕ
94	79	Galliford 5p	90xd	.....	4.8	ϕ	7.5	ϕ
63	27	Gibbs Dandy A 10p	61	−2	1.8	5.0	4.2	11.2
385	254	Gleeson (M.J.) 10p	346	−2	†5.37	5.4	2.2	12.0
142	86	HAT Group 10p	140	.....	ϕh5.25	1.8	5.3	14.1
165	156	Harrison Inds 10p	160	.....	g5.0	2.7	4.4	12.0
315	56	Helical Bar	315	+5	—	—	—	—
258	195	Henderson Group	211	−2	7.0	1.9	4.7	13.3
80	44	Hewden-Stuart 10p	63xd	.....	†1.7	3.0	3.8	11.1
£216	£130	Do. 10pcLn. 05-08	£180	.....	Q10%	—	5.6	—
250	134	Heywood Williams	184	+8	†g6.75	2.0	5.2	11.9
645	430	Higgs & Hill	580xd	−5	713.6	3.1	3.3	12.1
44	29	Howard Shut 10p	43	+1	d1.4	1.8	4.6	17.3
196	127	Ibstock Johnsen	182xd	−2	†g4.8	2.5	3.7	13.7
115	40	Intnl Amco Cpn	53	.....	—	—	—	—
460	270	Jarvis (J.)	430	.....	10.0	ϕ	5.5	ϕ

DRAPERY & STORES—Cont.

ELECTRICALS

CHEMICALS, PLASTICS

DRAPERY AND STORES

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

INDUSTRIALS—Continued

1986 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
195	129	Metal Closures	143	.....	[illegible]	1.0	6.6	(21.3)
102	70	‡Metsec 10p	80xd	.....	[illegible]	2.6	4.3	12.4
78½	45	Mitchell Cotts	54½	.....	[illegible]	♦	3.9	♦
124	81	‡Mocks & Crane 10p	114	.....	[illegible]	2.9	1.5	13.9
317	210	Morgan Crucible	308	+5	[illegible]	1.5	3.9	20.2
23½	15½	‡Morris (W) F.A. 20p	18½	.....	—	—	—	—
152	65	Myson Grp 10p	136	.....	[illegible]	2.6	2.7	17.6
365	230	‡NMW Computers	243xd	+3	[illegible]	3.8	1.5	14.0
73	27	Nash Inds.	73	+2	[illegible]	—	1.0	—
*27½	15½	Neil & Spencer 10p	16½	.....	[illegible]	—	—	—
39	28	Newman Inds 10p	34	+1	[illegible]	1.5	3.3	26.0
134	65	Noble & Lund 10p	114	−2	[illegible]	4.3	0.9	37.5
65	39	Nolton	49	−1	†0.5	7.0	2.7	7.0
150	96	‡Norank Systems 5p	143	−2	m1.5	—	1.5	18.3
286	187	Norcros	229	+4	9.3	2.2	5.7	11.0
180	49	Nu-Swift 5p	175	.....	3.5	2.1	2.8	23.3
£356½	£228	OCE 9pc Cnv 1987-92	£340½	+2	Q9%	—	f2.6	—
118	80	Oakwood Grp	91	.....	‡5.0	1.9	‡	12.6
250	185	Office & Elect	198	+5	8.5	2.9	6.1	8.0
183	70	Oldacre 20p	176	.....	‡5.0	♦	4.1	♦
34	26	‡Omnitech 1p	27	.....	—	—	—	—
36	22	‡Optometrics $0.01	24	.....	—	—	—	—
890	500	Oriflame £1	870	.....	†24.5	2.1	4.0	16.9
10	5	Overstone 12½c	9	.....	gQ3.25c	1.9	11.1	4.7
142	85	‡PCT Grp 10p	138	.....	d3.2	—	5.6	—
£20½	£13¼	PLM 'B' Sk 25	£18½	+½	Q23.2%	0.3	3.8	—
195	114	PSM Intl	188	.....	‡d5.5	2.1	4.2	14.0
255	160	‡Pacer Systems $0.01	168	.....	[illegible]	5.4	1.7	17.8
78	30	‡Pacific Sales 10p	50	.....	3.0	♦	8.5	♦
445	246	Parker Knoll 'A'	399	.....	12.0	3.2	4.2	10.5
222	83	‡Parkfield Group 2p	170	−3	3.6	4.2	3.0	10.8
53	17	‡Paxton Intl	17	.....	—	—	—	4.3
£130	£64½	Do 11pc CnLn '94-02	£64½	.....	Q11%	—	0.2	—
608	395	Pearson	538	+2	†10.0	2.8	2.6	17.5
41	12	Peek Holdings 5p	41	+6	—	—	—	—
145	88	Peerless	135	.....	6.3	1.5	6.6	(12.0)
519	141½	Pentland 10p	435	.....	†10.75	22.4	0.2	24.7
£14	775	Photo-Me	£12½xd	.....	5.75	♦	0.6	♦
488	315	Pilkington Br. £1	483	+20	13.5	2.7	3.9	10.0
£432½	£293	Pitney-Bowes Cnv. Ln.	£431½	+20	Q5½%	—	1.5	—

LEISURE—Continued

1986 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's
415	263	LWT	425	+5	†14.4	1.8	4.9
187	137	Lee International 10p	165	.....	L3.8	2.7	3.2
54½	32	‡Leisure Inv 10p	54½	+½	0.5	♦	1.5
*112	55	Leisuretime Int 10p	83xd	.....	†2.3	0.9	3.9
117	100	‡Lowmar	102	−2	a2.63	3.3	3.7
98	80	‡Marina Dev. 50p	80	.....	R3.13	3.0	5.5
220	125	‡Media Tech Int 20p	133	.....	2.8	♦	3.0
*170	130	Medminster 10p	150	.....	6.25	♦	6.0
220	130	‡Miss World 10p	200	.....	†5.2	3.3	3.7
90	62	Nationwide Leisure	69	.....	Q3.75	2.5	7.7
17	10	‡Nimslo Int 20c	15	.....	—	—	—
35½	23	‡Owners Abroad 5p	35½	.....	1.5	2.3	5.9
90	46	Pleasurama (Lon.)	76	−7	—	—	—
34	26½	‡Piccadilly Radio NV 5p	26½	.....	2.0	1.2	10.6
76	25	‡Pineapple 10p	75	.....	—	—	—
391	280	Pleasurama 5p	303	+2	†7.5	3.6	3.4
178	136	Do. 7pcCnCumRedPf	144	.....	7%	—	6.8
157	94	Prestwich	105	+3	0.85	♦	1.1
43	10	‡Radio City 'A' NV	35	.....	—	—	—
53	33	‡Radio Clyde NV	53	.....	3.25	0.9	8.6
403	322	Really Useful Grp 5p	401	.....	b11.25	2.2	4.0
64	39	Riley Leisure 10p	42	.....	—	—	—
230	130	Saga Hols. 20p	131	.....	4.6	2.6	4.9
355	148	Samuelson Grp 20p	148	.....	2.4	6.5	1.5
123	73	‡Singers Photo 10p	87	+3	‡2.2	1.5	3.6
178	106	‡Scanro 50p	108	−3	4.0	1.5	5.3
340	175	Scott. TV 10p	335	.....	†10.5	3.3	4.5
294	114	SeaCo Inc $0.125	183	+1	—	—	—
27	7	‡SelecTV 10p	18	−1	—	—	—
37	20	‡Spectrum 5p	27	.....	†1.20	4.8	‡
143	119	Stanley Leisure	142	.....	u3.25	2.0	3.2
40	31	TSW 5p	40xd	.....	2.05	♦	6.0
195	137	‡TV-am 10p	190	+5	R5.75	2.6	4.3
*279	144	TVS N/Vtg 10p	238	.....	b10.0	1.5	3.9
188	91	‡Television Svcs 50p	91	.....	†2.0	2.9	3.1
280	219	Thames TV	278	−2	u9.5	1.9	4.0
74	50	Tottenham Hotspur	69	.....	—	—	—
96	60	‡Trident 10p	74	−3	L1.1	3.3	1.1
260	140	‡Tyne Tees TV 'A' £1	240	+5	ta10.5	2.0	6.2
149	104	Ulster TV N/V 'A'	143xd	.....	6.25	♦	6.2

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc

FINANCE, LAND—Cont.

OIL AND GAS

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

MINES—Continued

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

Miscellaneous

INSURANCES

LEISURE

NOTES

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

"Recent Issues" and "Rights" Page 43 (International Edition Page 31)

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £875 per annum for each security.

LONDON STOCK EXCHANGE

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
Sept 29	Oct 9	Oct 10	Oct 20
Oct 11	Oct 23	Oct 24	Nov 3
Oct 27	Nov 6	Nov 7	Nov 17

*"New time" dealings may take place from 9.30 am two business days earlier

Equities brush aside moves towards dearer money and impart steadier trend to gilts

London's securities markets recovered their poise yesterday as the City settled down to await tonight's speech at the Mansion House by the Chancellor of the Exchequer. Government bonds rallied from some initial selling and were edging higher at the end of session, while equities were led forward by support for ICI and Glaxo Holdings.

Both market sectors opened nervously against a backcloth of firmer rates in the money markets and suggestions from some leading analysts of the credit market that a further one point rise in base rates could not be long delayed.

But steadiness in the pound helped reinforce the more optimistic analysts, who agree with the Chancellor that it will not be necessary to raise base rates again. The market was also optimistic ahead of a promised statement from the OPEC meeting in Geneva.

Light selling took Government bonds down by more than a full point in the morning. But firmness in bond futures encouraged bear-closing in the cash market, and scattered gains appeared towards the close. However, the FT Government bonds index closed 0.06 down at 82.75.

The equity market brushed off the sellers within the first half hour, when buyers appeared for ICI and for the oil majors. Glaxo recovered most of the previous day's fall, helped by a generally favourable press review of the trading figures. Buying was selective but the market gained ground steadily as the session progressed. At the close, the FT-SE 100 index was 15.0 up at 1607.0, and the FT Ordinary share index 14.1 up at 1276.4.

Oil shares turned better as firmer prices for crude reflected hints that the OPEC ministers might succeed in finding agreement on pricing policies. Optimism over oil prices also stimulated demand for ICI, which in turn helped the rest of the industrial blue chip sector. US buyers were shy of Jaguar, after the announcement that Goldman Sachs had traded 2.2m shares at the close of the New York market. Cadbury-Schweppes continued to attract transatlantic interest.

Hill Samuel jump

Hill Samuel revived strongly among merchant banks, rising 20 to 355p amid rumours that the group could be the subject of a bid from the US or from British and Commonwealth Shipping now that Mr John Gunn is at the helm; sentiment was also aided by a favourable broker's circular. Others in the sector made sympathetic progress with improvements of 3 and 5 respectively seen in Hambros, at 220p, and Morgan Grenfell, at 383p. Elsewhere, Standard Chartered's speculative advance was halted by a Wood Mackenzie "sell" recommendation and with investors content to sit on the sidelines awaiting any further stakebuilding by Far Eastern interests, the shares drifted a couple of pence lower to 775p. The clearers edged forward on further consideration of the base rate increases. Natwest added 4 at 518p and Barclays firmed 3 at 485p.

Royals, 10 better at 812p, led a modest rally by Composites. General Accident improved 8 at 827p as did GRE at 807p. Elsewhere, Abbey Life cheapened a few pence at 188p following the interim statement, but vague rumours of a possible bid from the TSB left London and Manchester 4 higher at 200p.

TSB moved up to 85½p as persistent small selling abated, but the absence of any worthwhile support saw the price drift back to close unchanged at 84p.

Interest in the Building sector was confined to a handful of stocks. Blue Circle picked up 12 at 580p as vague takeover rumours revived, while Marley firmed 4 to 113½p on talk of a broker's profits upgrading. BPB Industries improved 6 to 451p and Redland hardened a couple of pence to 380p. Elsewhere, Heywood Williams moved up 8 to 184p as institutional support revived and John Finlan improved 8 to 74p in a restricted market. Meyer International continued to attract buyers in the wake of a broker's lunch and added 4 more to 233p, but Gibbs and Dandy A, a firm market of late reflecting newsletter comment, softened a couple of pence to 61p following profit-taking. Watts Blake Bearne gained 8 to 184p in sympathy with English China Clays.

Freemans volatile

Freemans, the South London-based mail-order house proved to be one of the session's more volatile counters, marked down to 408p at one stage in reaction to adverse comment concerning its Together catalogue joint venture. The shares staged a smart rally and settled only 2 cheaper on balance at 424p following confirmation that the company has sold its 50 per cent stake in Together to Otto Versand of West Germany. Empire hardened a couple of pence to 180p.

Stores put on a resilient performance. Marks and Spencer rallied 5 to 197p, and Burton, still benefiting from its innovative cash-raising proposals, added 6 to 380p. Dixons put on a few pence to 342p aided by an investment recommendation from brokers de Zoete and Bevan. The confident tenor of the chairman's statement at Tuesday's annual meeting prompted fresh support for Ratners, another 7 up at 235p, while persistent speculative interest lifted Alexon 4 to 202p, and Wigfalls 12 to 175p. House of Lerose improved 6 to 159p in response to the more-than-doubled interim profits, but news of the first-half deficit left Allebone 4 cheaper at 53p.

Confirmation that the group is to help modernise telecommunications systems in the Yangtse delta region of China helped Cable and Wireless, at 334p, to retrieve 7 of Tuesday's decline of 17. Other Electrical leaders contributed to the overall firm trend. British Telecom put on 4 at 190p as did Plessey, at 182p, and Racal, at 164p. Secondary stocks featured Telephone Rentals 10 dearer at 195p on revived takeover chatter.

Although closing a few pence below the day's best, GKN still attained a rise of 14 at 265 following US buying. Hewker moved up 8 afresh to 447p as investors showed an interest ahead of next Wednesday's half-year figures and Vickers added the same amount at 388p on hopes of Chinese orders from the Peking Arms Exhibition. Rumours of an imminent US acquisition continued to attract buyers to Delta which advanced 12 afresh to 188p, while Babcock added 5 at 181p following reports of a brokers lunch with the company. Davy Corporation hardened a couple of pence further to 134p on bid hopes and Molins, in which Mr Ron Brierley's IEP Securities holds a sizeable stake, firmed 5 at 190p.

Food manufacturers made a firm showing. Cadbury Schweppes, reflecting trading option business and US take-over hopes, added a penny more to 194p and Rowntree Mackintosh improved a couple of pence to 403p. Hillsdown firmed 4 to 220p in the wake of acquisition news, while Unigate revived with a gain of 3 at 288p. Buying ahead of the interim figures due next Tuesday boosted Hughes Food 3 to 27p, while further speculative demand lifted Cheshire Wholefoods 10 to 233p. Among Retailers, Bejam added 5 to 155p in reply to satisfactory annual results, while Albert Fisher, after touching 197p on the excellent preliminary figures and proposed one-for-one scrip issue, eased back to close just a penny dearer on balance at 193p.

FINANCIAL TIMES STOCK INDICES	Oct. 15	Oct. 14	Oct. 13	Oct. 10	Oct. 9	year ago	1986 High	1986 Low	Since Compilation High	Since Compilation Low
Government Secs	82.75	82.81	83.54	83.68	82.21	84.20	94.51 (18/4)	80.39 (20/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	88.99	89.14	89.31	89.94	89.70	90.06	97.68 (7/7)	86.55 (23/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1,276.4	1,262.3	1,275.4	1,265.4	1,268.1	1,034.9	1,425.9 (3/4)	1,094.3 (14/1)	1,425.9 (3/4/86)	49.4 (26/6/40)
Gold Mines	309.9	321.5	322.2	319.3	332.1	295.1	357.8 (22/9)	185.7 (18/7)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.37	4.41	4.37	4.40	4.39	4.68				
Earnings Yld.%(full)	10.04	10.15	10.05	10.10	10.07	11.44				
P/E Ratio (net) (*)	12.21	12.08	12.20	12.14	11.18	10.80				
Total Bargains (Est)	28,577	30,299	34,156	29,980	22,470	23,232				
Equity Turnover £m.	—	458.94	508.39	685.31	744.33	486.65				
Equity Bargains	—	53,415	74,545	57,361	24,614	21,043				
Shares Traded (ml).	—	224.2	280.8	348.0	304.8	227.9				

S.E. ACTIVITY Indices	Oct. 14	Oct. 13
Gilt Edged Bargains	96.7	97.0
Equity Bargains	346.1	483.0
Equity Value	927.6	1027.6
5-Day Average		
Gilt Edged Bargains	109.2	112.5
Equity Bargains	297.6	250.7
Equity Value	1184.1	1188.4

♥ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1260.1	1262.5	1268.3	1272.2	1273.7	1275.2	1276.3	1276.7

Day's High 1277.1. Day's Low 1259.2.

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974 *Nil=11.72.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

Pilkington rise

Press speculation about a possible bid from RTZ kept Pilkington in the limelight among miscellaneous industrial leaders and the shares soared to 490p at one stage before closing an active session 20 up on balance at 483p. Glaxo, meanwhile, benefited from comment on the preliminary results and pushed forward to close 18 higher at 948p. A chart "buy" signal induced strong demand for English China Clays which ended 15 to the good at 316p, while Metal Box and Trafalgar House both revived and recorded gains of 7 at 173p and 288p respectively. Elsewhere, Christies International advanced to 311p on reports that US auction house Phillips Son and Neale was planning to acquire a significant stake in Christies and could launch a full-scale bid early next year. The Board's denial that it had received an approach later brought the price back to 288p but revived support after-hours' left a close of up 40 on balance at 300p. Peek Holdings reflected the first-half return to profitability with a gain of 6 at 41p, while speculative buying in a thin market prompted gains of 13 and 15 respectively to Sterling Industries, 103p, and InfraRed, 85p. A. and P. Appledore advanced 15 more to 220p on property development hopes and Redfearn Glass moved up 5 to 193p accompanied by vague takeover gossip. Guthrie improved a few pence to 180p following the interim figures, while Fogarty ended 3 dearer at 89p, also after trading news.

Among Leisure issues, WSL revived following publicity given to a broker's recommendation and gained 6 to 165p. Southend Stadium rose 9 to 191p on property development hopes. Tv-am firmed 5 to 190p following comment on the results, but Photax encountered profit-taking and shed 7 to 76p.

Potential investors in Jaguar were initially put off by the share's weakness on Wall Street overnight following Goldman Sach's well-publicised sale. Early trading here was subdued and Jaguar drifted back to 516p before revived demand later in the session brought a close of 2 higher on balance at 520p. Dowty emerged from a lethargic spell when sudden buying found the market short of stock. A bear squeeze was instigated and Dowty moved up to end 5 nearer at 207p.

Trading statements or news items brought numerous highlights to Paper/Printings. Bunzl rose 5 to 198p following completion of the Stag Plastic purchase from McCorquodale, 7 firmer at 270p, while Conrad moved up 4 to 50p on the confident statement with the half-year figures. USM stocks in prominence were Monotype, 10 higher at 130p after good interim results and Hunterprint, which jumped 12 to 273p in response to the awarded contract for printing the colour sections of "News on Sunday," to be launched in the spring of next year. The return to first-half profitability failed to cheer Delyn Packaging, down 4 at 148p, but USM-listed Therpac added 7 further at 95.

The undertone in Properties remained firm and the leaders displayed useful gains. Land Securities firmed 5 to 320p, while MEPC, boosted by talk of a broker's circular, put on 8 at 335p. Following news of the Apex Group tender offer, Property Holding and Investment gained 8 more to 163p; the PHIT board are advising shareholders to reject the offer. Comment on the appointment of Mr John Gunn as chief executive of British and Commonwealth stimulated interest in associated companies Abaco Investments and Country and New Town, the former rising 5 to 70p and the latter gaining 13 to 120p. Laing Properties revived and closed 10 higher at 278p, but Parkdale, a firm market of late on takeover hopes, came back 9 to 83p. Warnford moved up 50 to 825p in a restricted market on bid hopes, while London and Edinburgh, having fallen sharply on Tuesday following news of the development freeze on Spitalfields, rallied 15 to 640p.

The spectacular recovery continued for the fourth successive day in British and Commonwealth (B. and C.) which, after confirmation that the interim results would be announced today week, spurted 20 more to 298p for a rise of 85 since last Friday. Mr John Gunn is the new chief executive of the group and four other directors have been appointed. Caledonia Investments, a large stake holder in B. and C., rose 20 further to 273p. Elsewhere, J. Fisher gained 5 to 73p on a confident preliminary statement and proposed scrip issue.

Courtaulds rallied after Tuesday's erroneous report about the effects of SA sanctions, gaining 3 to 289p. John Crowther regained a similar amount at 170p, while small demand took Atkins Bros. 10 higher to 243p.

Investment Trusts followed the rise in leading equities and settled at the day's highest. TR Natural Resource were the best late feature, rising 6 to 147p in response on news of a bid approach. Financials were quieter and Aitken Hume remained at 143p after the mid-term statement and figures; the interim dividend payment is omitted.

Oils firmer

A steadier performance by crude oil prices overnight, pending further news from the OPEC talks, saw the oil majors regain some of Tuesday's lost ground. BP were finally 5 higher at 673p and Shell improved the same amount to 913p. Ultramar, a weak market in recent days as IEP Securities reduced its holding, rallied strongly to close 8 higher at 158p. Britoil picked up 3 at 134p as did LASMO, at 124p. Elsewhere, Conroy Petroleum continued to trade in lively fashion on takeover and exploration hopes and touched 275p prior to closing a net 13 up at 266p. Osceola Hydrocarbons firmed 2 to 13p on details of the agreed offer from Eglinton, a penny better at 14p. Bryson rose 5 to 32p.

South African Golds and related issues gave further ground yesterday—their fourth decline in the past five trading sessions—mainly reflecting renewed weakness in bullion, finally $6.25 off at $423.25 an ounce.

The slight easing of the Financial Rand against the dollar effectively inhibited investment enthusiasm in Johannesburg, while activity in London and the Continent also remained at a low ebb. Heavyweight Golds, marked lower from the outset on overnight indications from the US, drifted further and showed losses extending to around 2 points by the close. Vaal Reefs, £56⅞, and Randfontein, £66, both fell that much, while falls of 28 were noted for Kinross, 678p, and Freegold, 814p; preliminary figures from the last-mentioned are expected today or tomorrow. The FT Gold Mines index fell 11.8 to 309.9.

Similar conditions prevailed among Platinums. The metal were quoted at $566.25 at the afternoon fixing—a decline of some $11—and Impala and Rustenburg fell 20 and 40 respectively to the common level of 740p. Further consideration of the 7 per cent rise in uncut diamond prices failed to support De Beers which eased a few pence to 520p. Financials mirrored Golds with "Amgold" over 2 points cheaper at £53¾ and Gfsil ¾ down at £21⅛.

Traditional Options

- First dealings Oct 6 Oct 20 Nov 3
- Last dealings Oct 17 Oct 31 Nov 14
- Last declaration Jan 8 Jan 22 Feb 5
- For Settlement Jan 19 Feb 2 Feb 16

For rate indications see end of Unit Trust Service

Call options were transacted in Consolidated Gold Fields, British Telecom, TSB, Allebone, Coutry, Peek, Amstrad, Rivlin, Leisuretime International, J. Hewitt (Fenton), Blacks Leisure, Fairline Boats, Equity and General, Sheraton Securities, Amalgamated Financial Investments, Boots, Bristol Oil and Minerals, Johnson and Firth Brown, Standard Chartered, Common Brothers, Redfearn National Glass, Bestwood, Benlox, Ryan International, Hampton Trust, Hickson International and Charles Barker. Puts were done in TSB, Arenson, Appledore and J. E. England, while double options were taken out in Britannia Security, Pearl, Arenson and TSB.

YESTERDAY'S ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday

Stock	Closing price	Day's change
BOC	319	+5
Brit & Comm	298	+20
Caledonia Invs	273	+20
Christies Intnl	300	+40
Cons Gold Fds	667	-2
Eng China Clays	316	+15
Fisher (A)	193	+1
Glaxo	424	-2
GKN	265	+14
RTZ	679	—
Sun Alliance	694	—
TSB 50p paid	84	—

TUESDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

Stock	No. of changes	Tues. close	Day's change
Glaxo	30	930	-10
Cons Gold	20	669	-10
Saatchi	19	620	-40
Cable & Wire	17	327	-17
RTZ	17	681	-23
BP	16	668	-17
TSB (50p paid)	16	84	—
Grand Met	15	446	-10
Brit & Comm	14	278	+35
Gill Transport	13	908	-17
ICI	13	1111	-5
Pilkington	12	463	-15

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	34	71	27
Corporations, Dom. and Foreign Bonds	2	32	9
Industrials	381	258	886
Financial & Properties	333	76	369
Oils	30	19	63
Plantations	1	—	10
Mines	19	87	77
Others	44	96	58
Totals	625	639	1,527

NEW HIGHS AND LOWS FOR 1986

NEW HIGHS (97)

[illegible]

NEW LOWS (24)

[illegible]

FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Wednesday October 15 1986

[illegible]

FIXED INTEREST

[illegible]

LONDON TRADED OPTIONS

[illegible]

EUROPEAN OPTIONS EXCHANGE

[illegible]

BASE LENDING RATES

[illegible]

WORLD STOCK MARKETS

AUSTRIA

Oct. 15	Price Sch.	+ or −
Credit'nst'lt pp	2,250	−10
Goesser	5,250	+50
Interunfall	13,100	−80
Jungbunzlauer	12,050	....
Laendorbank	0,010	−10
Perlmooser	630	+5
Steyr Daimler	160	+0
Veitscher Mag	11,080	+1826

BELGIUM/LUXEMBOURG

Oct. 15	Price Frs.	+ or −
B.B.L.	5,000	−20
Banq. Gen. Lux	25,300	....
Banq. Int.A.Lux.	15,000	....
Bekaert	10,050	−150
Ciment CBR	5,720	+10
Cockerill	148	+5
Delhaize	5,150	....
EBES	4,450	....
Electrobel	14,925	....
Fabrique Nat	1,890	+5
GB Inno BM	7,800	....
GBL (Brux)	3,545	+20
Generale Bank	5,910	−50
Gevaert	5,950	−60
Hoboken	7,220	−230
Intercom	3,510	+20
Kredietbank	15,900	−200
Pan Holding	11,000	....
Petrofina	9,030	−70
Royale Belge	27,550	....
Soc. Gen. Belge	5,010	+30
Sofina	10,795	−625
Solvay	7,650	−20
Stanwick Intl	250	....
Tractionel	5,010	−90
UCB	8,020	+10
Wagons Lits	5,240	−50

GERMANY

Oct. 15	Price Dm.	+ or −
AEG	308	−4.5
Allianz Vers	2,215	−35
BASF	259.2	−0.5
Bayer	294.2	−3.8
Bayer-Hypo	394	−6
Bayer-Verein	525	−17
BHF-Bank	511	+2
BMW	507	−4
Brown Boveri	308	−4
Commerzbank	310.5	−5.5
Cont'l Gummi	310	−1.5
Daimler-Benz	1,215	−8
Degussa	482	−5
D'sche Babcock	194	+1
Deutsche Bank	789	−11.5
Dresdner Bank	402.5	−4.5
Feld-Muehle Nbl	292	−1
Henkel	445.5	−6
Hochtief	2,100	−10
Hoechst	251.5	−3
Hoesch werke	135	−1
Holzmann (P)	559	....
Horten	228.8	−2.8
Husael	625	+15
Karstadt	456.5	+1.5
Kaufhof	530	+4
KHD	199	−4
Kloeckner	75	+1.5
Linde	615	+5
Lufthansa	180	....
MAN	223.5	−2.5
Mannesmann	107.5	+1.9
Mercedes Hld	1,090	−30
Metallgesell	316	−5
Muench Rueck	2,319	−30
Nixdorf	710	−3
Porsche	999	−3
Preussag	205.0	−6.5
Rhein West Elect	212	−9
Rosenthal	598	+4
Schering	606	−7
Siemens	692	−6.5
Thyssen	149.5	−3.2
Varta	350	−2
Veba	288	+0.2
V.E.W.	125	....
Verein-West	475	....
Volkswagen	477.2	−12.1

NORWAY

Oct. 15	Price Kroner	+ or −
Bergens Bank	173	−9
Borregaard	355	....
Christiana Bank	199	−5.5
DenNorske Cred	157.5	−4.5
Elkem	103	−3.5
Kosmos	146.5	−1.5
Kvaerner	170	−6
Horsem	121	−3
Norsk Data	214.5	−2.5
Norsk Hydro	142	−3
Storebrand	285.5	−6.5

SPAIN

Oct. 15	Price Pts %	+ or −
Bco Bilbao	1,169	−30
Bco Central	910	+28
Bco Exterior	890	....
Bco Hispano	470	−6
Bco Popular	1,251	−4
Bco Santander	821	−5
Bco Vizcaya	1,465	−10
Dragados	440	+01
Hidrola	119.2	−0.8
Iberduero	165.0	−3.0
Petroleos	575.5	+5.0
Telefonica	189	−0.5

SWEDEN

Oct. 15	Price Kroner	+ or −
AGA	184	−1
Alfa-Laval B	300	−6
ASEA (Free)	348	+4
Astra (Free)	025	+5
Atlas Copco	208	−4
Beijer A B	178	....
Cardo (Free)	305	....
Cellulosa	275	....
Electrolux B	310	....
Ericsson B	238	−5
Esselte	133	−2
Mo och Domsjo	295	+15
Pharmacia	286	−1

AUSTRALIA (continued)

JAPAN (continued)

CANADA

TORONTO
Closing prices October 15

MONTREAL
Closing prices October 15

Indices

NEW YORK

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued from Page 41

LONDON

Chief price changes (in pence unless otherwise indicated)

RISES

Bejam	155	+ 5
Blue Circle	580	+12
Brit. & Cmmwlth	298	+20
C & W	334	+ 7
Caledonia Invs.	273	+20
Christies Intl.	300	+40
Conroy Pet.	266	+13
Cntry, New Twn.	126	+13
Delta	188	+12
Eng. China Clays	316	+15
GKN	265	+14
Glaxo	948	+18
Hill Samuel	355	+20
Hunterprint	273	+12
InfraRed	85	+15
MEPC	335	+ 8
Marks & Spencer	197	+ 5
Marley	113	+ 3½
Monotype	130	+10
Peek Hldgs.	41	+ 6
Pilkington	483	+20
Prop. Hldg. & Inv.	163	+ 8
Ratners	235	+ 7
TR Natural Res.	147	+ 8
Ultramar	158	8
[illegible]	[illegible]	+ 3
WSL	165	+ 6

FALLS

GM Galgoorlie	663	−35
Parkdale	83	− 9
Western Mining	210	− 8

N. AMERICAN QUARTERLY RESULTS

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
26½	14⅝	AAR s	.44	1.9	18	573	23½	22⅞	23½	+⅜
30	21¼	ADT	.92	3.4		149	27⅜	27⅛	27⅜	+½
33	15	AFG s	.05	.3	14	126	29¼	28½	28⅝	−⅞
25⅜	13⅝	AGS			13	74	18½	18¼	18⅜	+⅛
62⅛	36	AMR			16	7782	61¼	60¼	61¼	+⅞
24	19⅝	ANR pf	2.12	9.3		4	22¾	22¾	22¾	
13⅛	9⅝	APL			9	9	12⅞	12¾	12⅞	
16¾	10	ARX	.71t	6.1	11	222	11⅝	11⅜	11⅝	+⅛
41½	28¾	ASA	2a	5.6		413	37½	36¾	37⅛	−⅝
18⅝	9¼	AVX			3.1	155	10⅜	10	10⅜	+⅛
32	23⅞	AZP	2.72	9.6	6	2874	28⅝	28⅝	28¼	+½
36	27⅝	AbtLb s	.64	2.8	19	5370	42¾	42	42½	+¼
32	21	AccoWd	.30	2.1	17	12	26½	26½	26½	
14⅞	6	AcmeC	.40	3.5		127	11⅜	10¾	11⅜	+⅝
9¼	6¼	AcmeE	.32b	4.9	14	15	6½	6½	6½	
22⅝	17¼	AdaEx	1.90e	9.4		65	20¼	20	20⅜	+⅛
33⅝	17⅛	AdmMl	.40	1.6	11	13	25⅜	25	25⅜	+⅜
20⅝	12⅛	AdvSys	.45t	11.	12	92	13¾	13¼	13¾	
32⅞	12⅞	AMD				1479	14¾	14⅜	14⅜	−⅛
12⅝	5⅝	Adobe n				11	6⅝	6¼	6¼	−⅛
18⅝	13¾	Adob pf	1.84	12.		18	15¼	15¼	15¼	
29¼	15¼	Adob pf	2.40	13.		45	18	17⅞	17⅞	−⅛
18⅝	7⅝	Advest	.12a	.6	18	197	18	13½	13⅞	+⅜
66¼	45¼	AetnLf	2.64	4.6	18	1876	57⅜	57	57⅝	+⅜
28¾	10⅞	Ahmns	.48	2.1	7	6982	21⅝	21⅛	21½	−⅛

Continued on Page 41

NYSE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close

Continued from Page 40

[illegible]

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
81	20⅝	Wrigly s	.96	2.1	26	78	44⅞	42¾	44⅞	+⅞
4⅛	1⅝	Wurltzr				26	1⅞	1¾	1¾	
17½	10½	WyleLb	.32	2.7	26	33	12	11½	12	+⅜
25¾	13	Wynns	.60	2.5		86	23¼	22½	23¼	+⅜
		X Y Z								
72¼	40¼	Xerox	3	5.4	17	4736	56¼	55⅞	56	+1⅛
58¾	54	Xerox pf5.45		9.9		1936	55¼	55½	55½	−⅜
29¾	20⅝	XTRA	.64	2.8		57	23	22⅝	23	+¼
17½	13½	Yorkln s				553	s18¾	17¾	18⅝	+⅞
39	27	ZaleCp	1.40	4.2		228	34⅛	32¾	33¼	−1½
9½	3	Zapata	.03j		363	3⅛	d	2⅞	2⅞	−⅛
43⅞	20¾	Zayre s	.32	1.5	14	5085	21⅝	21	21½	−⅛
17	9¾	Zemex	.40	3.4	12	25	11¾	11⅝	11¾	+⅛
29⅞	16¾	ZenithE				334	20⅝	20	20	−⅝
18⅝	6	ZenLb s			13	2394	9¼	8¾	9¼	+⅛
22⅝	12⅝	Zero s	.20	2.1	13	317	13⅝	13¼	13⅝	+½
45¾	29¾	Zurnln	1.32	6.6	14	52	37¾	37⅛	37¾	+¼
19⅝	10	Zweig s				650	10⅛	10	10⅛	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 19 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng

[illegible]

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Stock	Sales (Hnds)	High	Low	Last	Chng

[illegible]

Continued on Page 39

FINANCIAL TIMES
WORLD STOCK MARKETS

WALL STREET

Bonds share in strong late rally

A SURGE of buying in the last hour of trading yesterday gave Wall Street stock markets their best day since their steep two-day sell-off a month ago, *writes Roderick Oram in New York.*

Bond markets rallied in similar fashion, recovering from losses earlier in the day which had been prompted by a record monthly rise in US retail sales.

The Dow Jones industrial average closed up 31.49 at 1831.69, the best one-day gain since it rose 38.38 points to its record high of 1,919.71 on September 4. Broad market indices showed similar gains with the New York Stock Exchange composite index rising 1.61 points to 137.36.

The markets had managed only modest gains before the fast-paced last hour. Once the Dow had broken through a resistance level around 1,810.20, the rise accelerated, fuelled by share buying programmes triggered by premiums on stock index options. Total volume remained only moderate, however, with 145m shares changing hands on the NYSE. Rising issues outpaced falling by 1,165 to 430.

The Dow Jones transportation index managed finally to break its previous record of 830.84 set in March to close up 8.50 on the day at 836.13.

Among blue-chips, Du Pont rose $⅜ to $80⅜, McDonald's gained $¾ to $60¼, General Motors was ahead $⅛ to $67⅞, Sears put on $1⅜ to $43¼ and Exxon improved $⅝ to $67.

IBM gained $2⅛ to $123, reversing a week-long decline in its shares because of poor third-quarter results. Other computer makers showed gains with Honeywell up $1⅜ to $68⅛ and Digital Equipment ahead $1⅛ to $92⅞, Burroughs was up $⅛ at $89¼ although Apple was down $⅝ to $33⅜ despite reporting sharply higher profits on Tuesday.

Xerox, up $1⅞ to $56, announced an early retirement offer for 4,000 of its 60,000 employees.

Good results from a number of drug companies boosted share prices in the sector. Shering-Plough rose $2⅛ to $79½ and Upjohn gained $2¼ to $94.

Food companies were another strong group with Quaker Oats ahead by $2⅞ to $77⅜, General Mills up $3 to $81¾, Campbell Soup rising $1¾ to $62½ and Pillsbury gaining $1 to $72.

Time Inc. fell $3 to $70½ after it reported that large third-quarter profits consisted almost entirely of gains from sale of assets while operating profits fell sharply.

Manufacturers Hanover edged up $⅛ to $45¼ after reporting a 9 per cent increase in quarterly profits. Continental Illinois was unchanged at $7¼ despite a 15 per cent rise in third-quarter profits. Allied Bancshares fell $¼ to $15⅛ after reporting a quarterly loss of $1.12 a share against net profit of 73 cents a share a year earlier. Bank of New York gained $¼ to $58⅜ after reporting a rise in earnings to $1.66 a share from $1.45.

Campeau, the Canadian property group, extended again the deadline for its offer for Allied Stores whose shares were unchanged at $66⅜.

E. F. Hutton continued its recent sharp rise, adding a further $1⅞ to $48¾ yesterday to a high for the year. The securities firm is widely rumoured to be a takeover target

Amerada Hess, up $1⅛ to $26⅞, was the most active issue with 4.03m shares traded. Mesa, whose chief executive is Mr T. Boone Pickens, the corporate raider, said it had no comment on speculation it was buying Amerada Hess shares.

The main news in the credit markets was the record 4.6 per cent rise in retail sales in September from a month earlier. Although this was higher than most estimates, all but 0.1 percentage point of the gain was attributable to surging car and light truck sales stimulated by low-cost financing offers.

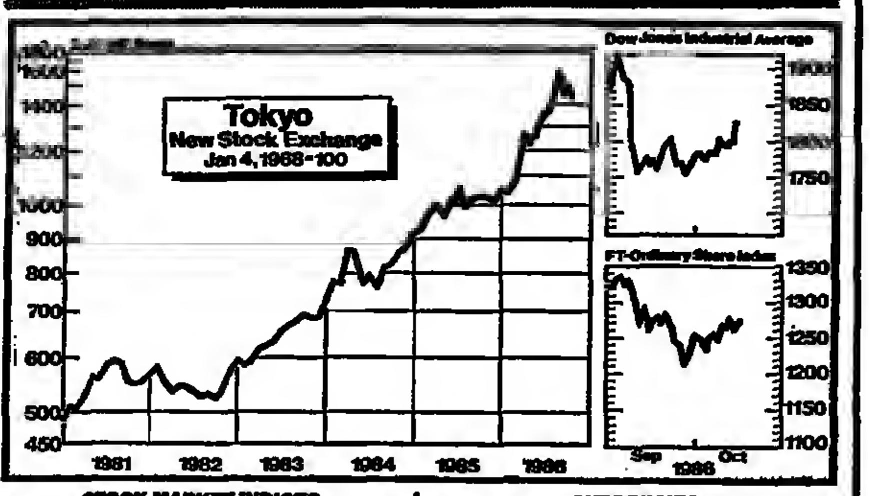
The markets seemed unsure of how to interpret the statistics, which were not considered a reliable guide to the retail sales trend. Futures contracts were marked down sharply while prices in the cash market fell, before recovering again.

The price of the benchmark 7.25 per cent Treasury bond due 2016 rose ⁷⁄₁₆ of a point to 94.05 yielding 7.75 per cent. Prices rose for all except the shortest maturities.

The three-month Treasury bill yield rose 5 basis points to 5.16 per cent, six-month bills yield rose 6 basis points to 5.26 per cent and year bills were up 3 basis points at 5.37 per cent.

The Federal Reserve made $1.5bn of customer repurchases when the Fed funds rate was 5⅞ per cent at which level it closed.

KEY MARKET MONITORS



STOCK MARKET INDICES

NEW YORK	Oct 15	Previous	Year ago
DJ Industrials	1,831.69	1,800.20	1,350.81
DJ Transport	836.13	827.63	657.42
DJ Utilities	201.06	198.30	153.98
S&P Composite	238.80	235.37	186.08
LONDON	Oct 15	Previous	Year ago
FT Ord	1,276.4	1,262.3	1,034.9
FT-SE 100	1,607.5	1,592.5	1,320.9
FT-A All-share	794.45	787.49	645.86
FT-A 500	865.98	860.65	707.44
FT Gold mines	309.9	321.5	295.1
FT-A Long gilt	10.45	10.41	10.18
TOKYO			
Nikkei	16,970.12	17,318.07	13,055.5
Tokyo SE	1,425.40	1,456.56	1,042.24
AUSTRALIA			
All Ord.	1,347.8	1,350.5	1,030.8
Metals & Mins.	706.5	719.2	530.0
AUSTRIA			
Credit Aktien	230.25	229.56	203.06
BELGIUM			
Belgian SE	3,728.99	3,776.41	2,651.64
CANADA			
Toronto			
Metals & Minls	2,141.2	2,120.3	1,850
Composite	3,017.3	3,018.1	186.08
Montreal			
Portfolio	1,530.33	1,524.64	127.49
DENMARK			
SE	n/a	194.04	231.46
FRANCE			
CAC Gen	380.7	388.10	211.5
Ind. Tendance	147.4	150.20	77.3
WEST GERMANY			
FAZ-Aktien	665.29	668.64	559.56
Commerzbank	1,989.4	1,996.80	1,639.5
HONG KONG			
Hang Seng	2,289.65	2,249.22	1,602.89
ITALY			
Banca Comm.	753.77	754.78	398.81
NETHERLANDS			
ANP-CBS Gen	274.5	274.20	214.4
ANP-CBS Ind	275.5	275.60	188.5
NORWAY			
Oslo SE	369.82	374.99	375.39
SINGAPORE			
Straits Times	893.66	882.82	746.46
SOUTH AFRICA		Prev	Year Ago
JSE Golds	—	1,981.0	1,108.5
JSE Industrials	—	1,372.0	985.0
SPAIN			
Madrid SE	199.06	199.12	89.11
SWEDEN			
J & P	2,494.18	2,513.44	1,354.05
SWITZERLAND			
Swiss Bank Ind	582.2	581.70	487.7
WORLD	Oct 14	Previous	Year ago
MS Capital Int'l	344.7	345.0	227.2

COMMODITIES

(London)	Oct 15	Prev
Silver (spot fixing)	388.45p	392.05p
Copper (cash)	£915.75	£919.00
Coffee (Nov)	£2,275.00	£2,122.50
Oil (Brent blend)	$14.15	$13.60

GOLD (per ounce)

	Oct 15	Prev
London	$423.25	$429.50
Zürich	$423.875	$429.375
Paris (fixing)	$423.68	$429.80
Luxembourg	$426.35	$431.40
New York (Dec)	$426.7	$430.50

CURRENCIES

(London)	US DOLLAR Oct 15	US DOLLAR Previous	STERLING Oct 15	STERLING Previous
$	—	—	1.4400	1.4375
DM	1.9740	1.9745	2.8425	2.8375
Yen	154.15	153.90	222.00	221.25
FFr	6.4650	6.4675	9.3100	9.2975
SFr	1.6145	1.6150	2.3250	2.3225
Guilder	2.2315	2.2315	3.2125	3.2075
Lira	1,361.5	1,367	1,960	1,965
BFr	41.00	41.00	59.05	58.95
C$	1.3890	1.3885	2.0000	1.9960

INTEREST RATES

Euro-currencies (3-month offered rate)	Oct 15	Prev
£	11⁷⁄₁₆	11⅜
SFr	4	4¹⁄₁₆
DM	4⁹⁄₁₆	4⅝
FFr	9⅛	9⅝
FT London Interbank fixing (offered rate)		
3-month US$	8	5¹⁵⁄₁₆
6-month US$	6	5¹⁵⁄₁₆
US Fed Funds	5¹³⁄₁₆*	5⅞
US 3-month CDs	5.60*	5.775
US 3-month T-bills	5.17*	5.21

US BONDS

Treasury		October 15* Price	October 15* Yield	Prev Price	Prev Yield
6⅜	1988	100⁷⁄₃₂	6.2690	100⁷⁄₃₂	6.218
7¼	1993	99²⁹⁄₃₂	7.30	100⁷⁄₃₂	7.231
7⅜	1996	99	7.5522	99¹¹⁄₃₂	7.447
7¼	2018	93²⁹⁄₃₂	7.799	94⁹⁄₃₂	7.747

Source: Harris Trust Savings Bank

Treasury Index Maturity (years)	Return Index	Oct 15* Day's change	Yield	Day's change
1–30	156.08	−0.38	7.10	+0.06
1–10	149.65	−0.32	6.74	+0.07
1– 3	140.73	−0.13	6.25	+0.07
3– 5	152.50	−0.21	6.89	+0.05
15–30	179.27	−0.60	8.30	+0.04

Source: Merrill Lynch

Corporate	October 15* Price	October 15* Yield	Prev Price	Prev Yield
AT & T				
3⅞ July 1990	91.75	6.418	91.801	6.400
SCBT South Central				
10⅞ Jan 1993	106.75	9.45	107	9.400
Phibro-Sal				
8 April 1996	97.75	8.348	97.75	8.348
TRW				
8⅞ March 1996	101	8.589	101	8.589
Arco				
9⅞ March 2016	104.5	9.418	105.125	9.358
General Motors				
8⅛ April 2018	88.625	9.256	89	9.215
Citicorp				
9⅜ March 2016	96	9.789	96.75	9.709

Source: Salomon Brothers
Yield calculated on a semi-annual basis

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
US Treasury Bonds (CBT) 8% 32nds of 100%				
Dec	94-14	95-00	94-09	94-24
US Treasury Bills (IMM) $1m points of 100%				
Dec	94.89	94.95	94.88	94.91
Certificates of Deposit (IMM) $1m points of 100%				
Sep	n/a	n/a	n/a	93.84
LONDON				
Three-month Eurodollar $1m points of 100%				
Dec	94.09	94.10	94.05	94.18
20-year Notional Gilt £50,000 32nds of 100%				
Dec	110-27	110-30	109-17	110-05

* Latest available figures

EUROPE

Nervousness over dollar persists

NERVOUSNESS over foreign exchange rates continued to hang heavily in Europe where most bourses ended lower or mixed, lacking any clear or fresh direction.

Frankfurt turned down after a brief rally on Tuesday and the Commerzbank index dipped 7.4 to 1,989.4 despite fundamentally positive economic data.

Profit-taking hit Deutsche Bank, erasing its gains of the previous session and leaving it down DM 11.50 at DM 769. Car issues were also hard hit among the sharply lower blue chips.

Porsche, the high-priced sports car producer which is a major dollar earner from its exports, tumbled DM 42 to DM 959, while VW lost DM 7.80 to DM477.20 after adding DM 13.50 on Tuesday.

Retailers bucked the trend, however, at the start of the Christmas shopping period and as the Bundesbank reported a growth in domestic consumption on the basis of rising disposable income.

Kaufhof continued to gain, adding DM 4 to DM 530 on higher nine-month sales and Karstadt rose DM 1.50 to DM 465.50.

Bonds dropped sharply, undermined by a steep rise in US retail sales figures and the barely changed dollar. Longs fell by up to 50 basis points, but there were also scattered gains of around 5 basis points.

The Bundesbank sold DM 1.3m worth of domestic paper after buying DM 4.4m on Tuesday.

Paris turned softer on concern over the outlook for interest rates and a series of disappointing French economic indicators. Consumer prices rose 0.4 per cent and the trade account moved to an adjusted FFr 2.9bn deficit in September from an August surplus of FFr 3.2bn.

Michelin led car shares downward with a drop of FFr 135 to FFr 2,355 while Peugeot shed FFr 30 to FFr 1,100 and Valéo, the car parts group, lost FFr 5 to FFr 503.

The French Government's privatisation of Saint Gobain, the state owned glass and building materials group, has been tentatively scheduled to open on November 24.

Oslo showed a marked drop in prices and **Stockholm** ended down as rumours surfaced that the Government was planning to tighten the tax on share gains.

Madrid eased marginally although construction issues resisted the trend. Banco Central, was up 28 points at 918 per cent of its nominal value after gaining 20 points in Tuesday's session on news that Kuwaiti investors had bought a stake in the bank.

Amsterdam was busy with investors squaring their positions on the European Option Exchange before the expiry of October share options on Friday. Most prices ended lower, however, on interest rate and dollar factors.

Royal Dutch was the only stock to see some foreign demand and firmed 90 cents to Fl 199.20. The group is setting up a co-ordinated campaign of opposition to the apartheid regime in South Africa.

Brussels closed mixed as the political crisis remained unsolved. Some holding companies firmed, utilities were stable while industrials were mixed.

Milan ended mixed in a session of monthly settlements marked by active trading. Leading insurers ended higher while industrials were mixed and banks and financial issues showed losses.

Zurich steadied amid continuing uncertainty over the dollar.

TOKYO

Steep fall as institutions withdraw

A SPATE OF small-lot selling pushed Tokyo lower yesterday, sending the Nikkei average down in its fourth biggest single-day loss ever, *writes Shigeo Nishiwaki of Jiji Press.*

The index shed 347.95 points from the previous day to 16,970.12, falling below 17,000 for the first time in about four months. Volume totalled 371.39m shares compared with Tuesday's 359.19m. Losers led gainers by 533 to 238, with 158 issues unchanged.

Nippon Kokan, Ishikawajima-Harima Heavy Industries and other large-capital stocks, which had led the bullish market since the summer, declined sharply.

Investors were concerned about the direction of the market, which had been performing well on the strength of "triple merit stocks" – those benefiting from the strong yen, lower interest rates and cheaper crude oil.

The main factor behind the recent downturn is the withdrawal of institutional investors, who had been pouring large sums into the market.

One investment trust company placed buy orders for some blue-chips, but this did nothing to buoy the market.

Nippon Steel topped the active list with 24.72m shares, but closed Y3 lower at Y196. Kawasaki Steel fell Y15 to Y192, Tokyo Gas Y40 to Y1,020 and Tokyo Electric Power Y200 to Y7,450.

Ishikawajima-Harima Heavy Industries lost Y42 to Y508, although it was the second busiest issue with 19.38m shares changing hands.

Teijin attracted strong buying interest and rose Y15 to Y470, supported by Daiwa Securities Company's buying. It was the third most active stock with 15.74m shares traded. Reports that Teijin will soon start clinical trials on an anti-cancer drug also contributed.

Nippon Kokan, fourth with 15.54m shares, dropped Y32 to Y250, Toshiba Y48 to Y657 and Taisei Corp Y72 to Y836.

Medium and small-capital blue-chips, which were sought by investment trusts the previous day, turned lower, with Canon losing Y40 to Y1,020, Kirin Brewery Y60 to Y1,350, and Anritsu Electric Y110 to Y3,370.

Hitachi and Mitsubishi Electric continued to ease, ending at Y1,040 and Y468, down Y30 and Y12, respectively.

Bond prices were lower, hit by the sharp overnight drop in bond prices in New York and the slump on the Tokyo stock market.

The yield on the benchmark 6.2 per cent government bond, due in July 1995, ended at 4.800 per cent, up from Tuesday's 4.780 per cent.

On the over-the-counter market, the yield on the benchmark issue rose to 4.820 per cent from 4.770 per cent the previous day.

There are strong expectations that the Bank of Japan will buy bonds to prop up the market, but it took no action yesterday.

LONDON

THE SCHEDULED speech tonight by the Chancellor of the Exchequer brought a measure of poise back to London, where the FT Ordinary index rose 14.1 to close at 1,276.4 and the more broadly based FT-SE index gained 15.0 to 1,607.0.

Equities were led forward by support for ICI and Glaxo Holdings while government bonds rallied from some early selling to edge higher at the close.

Both markets opened nervously against a background of firmer money market rates and suggestions that a further one point rise in base rates could not long be delayed.

Chief price changes, Page 39; Details, Page 38; Share information service, Pages 36, 37.

SINGAPORE

INCREASED BUYING and short covering helped prices close higher over a broad front in fairly active Singapore trading and the Straits Times industrial index rose 10.84 to 893.66.

The price rises were attributed to bargain hunters who moved in for blue-chip and trustee stocks, after a morning session that was slow but slightly higher than the previous one.

Sime Darby put on 3 cents to S$1.83 while Singapore Airlines rose 20 cents to S$9.4 and UOB added 10 cents to S$4.78.

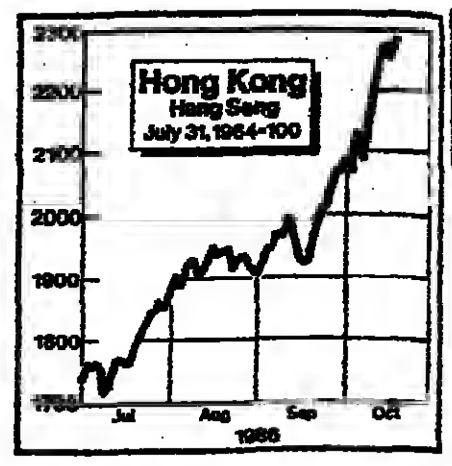
SOUTH AFRICA

CONTINUED WEAKNESS in the bullion price saw shares end sharply lower in thin Johannesburg trading.

Randfontein fell R13 to R445, Grootvlei R1.75 to R16.50 and Zandpan 25 cents to R3.70. Most other minings and mining financials also eased.

Gencor fell R2 to R80.50 and De Beers 25 cents to R34.75. In platinums, Rustenburg dipped R1.50 to R49.50.

Industrials were comparatively steady.



HONG KONG

HEAVY OVERSEAS DEMAND pushed Hong Kong's Hang Seng index 40.42 ahead to a record 2,289.65, as foreign funds flowed abundantly into the market.

Hong Kong Land dropped HK$1.80 to HK$6.55. Separately, Bond Corporation, whose chairman Alan Bond is due to visit Hong Kong today, announced that it is to acquire the entire capital of locally-listed Town and City and would inject into it the residential flats it recently bought from Hongkong Land for HK$1.43bn.

Cheung Kong gained HK$33, Hutchison HK$2.25 to HK$42.75, while China Light put on 70 cents to HK$20.50.

AUSTRALIA

STRONG but selective demand for industrials was outweighed by concerted selling pressure on resource stock in Australia, where share markets closed lower and the All Ordinaries index dropped 2.4 to 1,347.8.

Heavy selling was seen among golds, metals and oils and this intensified later as bullion prices weakened in Hong Kong.

In golds GMK slipped 50 cents to A$15.20, Central Norseman 20 cents to A$16.80 and Emperor 14 cents to A$6.10.

CANADA

ACTIVE TRADING saw Toronto stocks slide lower as golds, oils and utilities pulled the market down.

Bell Canada, the blue-chip market leader, slipped C$1 to trade at C$35⅛.

Among other actives Canadian Pacific was steady at C$16⅛. Oils continued lower and golds dipped on weaker bullion prices but the metals and mines index was little changed.

Montreal was also lower.

FINANCIAL TIMES SURVEY
Thursday, October 16, 1986

Information Technology in Finance

Expectations are now more realistic

By ALAN CANE

The dealing room at Smith Newcourt, London stockbrokers. Picture by Trevor Humphries.

Electronic systems have transformed the financial world, but with the benefit of experience, the top level of financial management is looking in hard business terms at the implications of implementing this well-tried technology.

THE WORLD'S major financial institutions have reached the third—and final—phase in their struggle to exploit fully electronic technology. The first phase, driven chiefly by the technologists, was characterised by the perception that automatinn could offer substantial cost benefits through the computerisatinn of the "back office," the accounting and clearing functions.

Senior management in the banks and other financial institutions were easily persuaded to invest in substantial data processing capability. The benefits, after all, were easy to quantify. But it was all done without mnch thought for the future, and the way the banks, and others, set np their computer files *now represents* a serious barrier to their hopes nf using all that computerised information for commercial advantage.

During phase two, which began in the mid-1970s, those same managers began to develop an awareness of the potential nf computer-based systems to support new products and services which could not only help to keep costs down—especially staff costs—but would prove attractive to new and existing customers.

This was the era when notions such as electronic funds transfer, cashless shopping and home banking first came into vogue. The world's first inter-bank messaging system, SWIFT, came into being. In the US, a myriad experiments in electronic funds transfer at the point-of-sale were initiated, to be followed by similar trials in Europe and the Far East.

Simple cash dispensers operated by slotted cards were quickly superseded by automated teller machines (ATMs, the first banking robots) and plans for substantial networks of shared ATMs were laid and in many cases, implemented. Electronic banking became a reality.

With phase three, however, a new sense of cantion and perhaps even disillusinnment has set in. Bankers are no less seized of the importance of technology to their business but now they have a better nnderstanding of the frequently profound implications of what they are about.

They are less likely to be impressed by purely technical considerations and more by commercial, political and financial realities. To some extent this is part of a broader qnestioning of the direction in which business is being taken by technology today as senior management begins to rely less on its technical experts and applies its own judgement to the critical questions.

So, for example, although banking information networks continue to develop in size, power and sophistication, there is widespread concern about the security and integrity of all that data travelling around the *world at the speed of light.*

The banks are still anxious to find an end to the expensive, wasteful and time-consuming business of clearing paper cheques, but they have become alert to the fact that electronic funds transfer at the point-of-sale (eft-pos) creates as many problems as it solves.

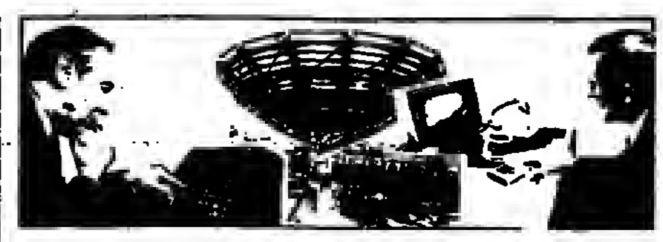
And they are increasingly conscions of the fragility of the systems to which they entrust so much of their business. Up to now, they *have placed their* faith in "hot-standby" arrangements (twin computers running identical software so that if one fails the other can take over), or so-called "failsafe" machines such as Tandem, Stratus or Computer Technology. But, as Mr George Hayter of the London Stock Exchange told a conference earlier this year, machine failure cannot be avoided, only planned for.

He told his audience sharply: "*I still hear statements like* 'Breakdowns are unacceptable.' I have to tell you that if any of you have made statements of this kind in the past, then your days nf innocence are over.

"The time has come that you should abandon the naive belief that computers can be made 100 per cent reliable."

Senior managers in the banking and finance industries, indeed, seem yet to be convinced that their computer specialists can be 100 per cent reliable.

Continued on Page 10



IN THIS SURVEY

Systems are streamlined to woo treasurers

"DESK TOP real estate" is how one banker describes the current state of cash management on the corporate user's desk—a hotch potch of different systems from each of the several banks with which the company holds accounts. Much in the way that dealers' desks in City trading rooms have cleared to hold only one or two screens, so cash management systems are becoming, through necessity, more streamlined and tuned-in to what the corporate treasurer is actually asking for.

CASH MANAGEMENT

Corporate treasurers in Britain, blessed with a highly efficient clearing bank system, have taken less readily than their American counterparts to cash management products. The banks are tackling the market, however, with a new range of sophisticated services.

Treasurers in the UK have taken to cash management products with a good deal less enthusiasm than their US peers, largely because their need was less immediate—Britain enjoys a highly efficient clearing system, giving value for payments within three days, and that, supported by the extensive branch networks of the major UK banks, made many of the features of US systems redundant.

But US suppliers of cash management systems, along with British banks, are now trying to address the requirements of the UK treasurer. There is no doubt that they were getting it badly wrong. Vargees-Glendinning found in their recent survey of corporate banking in the UK that despite doubling their efforts to sell cash management systems last year, banks only succeeded in increasing the take up rate by 1 per cent.

To simply transport systems, developed for the US market, into Europe and to expect them to be received with open arms reflected a naivety that has since been replaced by a clear-sighted marketing strategy.

What the treasurer wants, it appears, is a modular system which allows him to integrate the various sources of information about his accounts, in real-time, with a good deal more detail about transactions than is presently supplied.

Treasurers in the US have forced banks to co-operate over reporting balances into each other's systems, despite protests that this exposed them to the competition. European banks still tend to use the excuse of confidentiality, although the more likely reason is that they want to profit from the interest on any idle funds themselves.

However, the arrival of the treasury workstation, with its autodial facility, takes away the excuse of confidentiality, because the computer dials each bank and arranges the data on accounts into a common format. The concentrator bank—the one collecting all the data—never actually sees what is in the other banks' accounts.

No bank would now expect to offer a "dumb" system which simply collected balances and reported them, although balance and transactions reporting are at the heart of any electronic cash management system.

All the UK clearing banks offer sophisticated products to their corporate clients. Barclays Bank's BarCam started life as a BankLink product (from Chemical Bank), and offers the treasurer the ability to receive reports from over 20 countries, 24 hours a day in a variety of formats.

It can also display over 60 days of balance history, and updates can be intraday or in real-time through CHAPS. It has a funds transfer facility, where information can be stored up to three months ahead of transmission.

Barclays have also added decision support software packages in the form of Forex Manager, a foreign exchange exposure management, and Cashflow Manager, which collects account details into different formats.

The National Westminster Bank began by offering a Geisco-supported product, Network, which was developed with NDC, and offered the standard balance and transaction reporting, group summary reports, and a money transfer service, and treasury data service for foreign exchange and interest rates.

More recently, however, it has been offering NETS, or Networks for Electronic Transaction Services, another NDC product, which has the advantage of allowing free formatting, intraday reporting and treasury workstation.

The Midland is beginning to move towards a real-time system both internationally and domestically, which will be a significant progression as most UK systems only offer update on balances on a day, typically at close of business.

The Midland system, CMS, provides balance and transaction reporting, uncleared items, target balances, a cash flow forecasting model and multilateral netting and funds transfer. The Midland also offers software for exposure management and a foreign exchange reporting service through its Midland Advisory and Payments Services (Maps).

Finally, Lloyds offers Cashcall which has funds transfer and daily updates on balances, including forecasts, summaries, target balances and historical data for 60 days.

There is also a rates information service covering spot and forward foreign exchange, sterling deposit rates and projections on exchange rates, and a multilateral netting system.

There is no doubt that the UK banks were following their more aggressive US rivals into the cash management field, and to some extent the US banks are still leading the way in development of systems.

Most of their product development for the European market is now carried out in Europe, and they are trying to anticipate the direction of requirements.

Most observers would agree that integration is a key issue, and the ability to interface with computerised treasury functions is also a head start. Citibank is currently working with software house Comintel, which has a highly successful treasury management product. Citibank aims to enable transactions from the treasury computer system to be accepted into the bank's mainframe and in turn to allow input into the customer's system.

Chase Manhattan is developing its Global MicroStation to include multi-user local area network based systems. Products which can be used on Unix based hardware, multi-tasking single systems and products aimed at the middle market corporations are also underway.

Chemical Bank, too, is continuing to add to its highly successful ChemLink system, recently launching the micro-based ChemLink Plus, which allows the user to retrieve account information automatically, and to consolidate the data in n spreadsheet package without manual intervention.

However, perhaps more interesting than the actual products themselves is the change in marketing strategy that is emerging. The reason that the banks were misfiring with the products was that they were not communicating with the customers, and this was reflected particularly in the pricing strategy they employed.

Typically, UK banks have presented their corporate customers with a quarterly unbundled bill for all services during that time, and it has been accepted without question, at least in principle if not in amount.

For this reason, a good many services were perceived as being provided free of charge by the customer, for example, the daily collection over the phone of state of balances was not an item for which the customer thought the bank was charging him. Since the eventual bill was often influenced by the quality of the relationship between customer and bank, itemisation of services would have been near impossible for the bank to provide.

All this is changing with electronic services. The bank cannot afford to be vague about pricing its electronic services since they are highly expensive to provide and develop. Thus, the whole relationship between bank and treasurer is turning into e fee-based one, although this is not necessarily estranging the two parties.

On the contrary, it is encouraging a professionalism which industry has always taken for granted, but which for some reason has been side-stepped in banking.

A better perception of the services, including value-added, means that a true pricing strategy can be worked out and agreed upon, while from the bank's point of view, e clearer understanding of what the corporate customer really needs results in relevant products, and better sales.

Elizabeth Sowton

Cash management services forecast

●Market forecast for on-line cash management services in Europe

Country	1985	1990
Austria	<50	500
Belgium	1,500	3,500
Denmark	500	1,500
Finland	550	3,000
France	15,000	150,000
Germany	1,250	15,000
Italy	<50	1,000
Netherlands	<50	1,000
Norway	75	1,000
Spain	<50	500
Sweden	180	3,000
Switzerland	<50	1,000
UK	1,200	12,000

Note: The figures refer to all users, including small businesses using videotex services for simple cash management. Figures are for the beginning of each year.

Source: Booz Cox 1986

Encouraging professionalism: an IBM workstation as part of an electronic cash management system.

Michael A. Gallagher, vice president and manager of European Service Product Marketing and Management, reviews Chase Manhattan's new Multilateral Settlement System with Sean Quinn, vice president and manager, UK Electronic Banking.

Big need to integrate front and back offices

MR GAVIN RAEBURN-WARD, head of information technology at tha London gilt-edged dealer, Alexanders Laing and Cruikshank, was understandably delighted.

His new and very sophisticated dealing room had passed its first big test—tha London Stock Exchange gilts dress rehearsal for Big Bang—with flying colnurs. Some difficulties had been identified and steps were being taken to remedy them, bnt overall he was satisfied the company was in good shape to survive in the world of electronic dealing.

He was relieved that the company's initial decisinn, tn build a basic system which carried *out all the essential functinns nf* trading but in which *back office and front office were completely integrated*, had been vindicated.

Others may not find themselves in such a fortunate position. Compnter-based dealing rooms are expensive, subject to the whims nf fashinn and are often obsolete as soon as they are completed, but they nevertheless bnld the key to sncceasful trading in today's geographically distributed markets.

Alexanders' room represented tha best of collaboration between three separate companies.

The physical structure of the room was the work of Chester Jones, the electronics were designed by C and P Technnlogy and the systems work was carried out by Admiral Cnmputing, a small UK company, based in Camberley, Snrrey.

*Each dealer faces four full-*colour screens on the desk and a further twn, mounted nn a gantry above the dealing position. The elevated screens ensure line of sight between dealers while they are trading. The psychology of trading rooms is still a grey area, but dealers like *to keep visual tabs nn each* other.

One nf the snags that Alexanders' discovered during the gilts rehearsal was that dealers had difficulty shouting to each nther across the room. "Squawk boxes" have now been installed to alleviate tha problem.

The displays on the screens are controlled by a box of coloured switches, a speciality of C and P, which make it possible to call up any one nf a variety nf informatinn services—Renters, Telerate and so on.

The traders still make ont dealing tickets but the data is pnt into the system by data-entry clerks using specially devised electronic data-entry forms.

AUTOMATED DEALING ROOMS

The dealing room has overtaken the data centre as the financial services company's technological showpiece, as Alan Cane reports.

Reports to the Central Gilts Office are carried out separately using a personal computer and the Stock Exchanga Integrated Data Network, a City-broad communicatinns conduit. It is expected that this part nf the process will be automated next year.

Alexanders and Admiral emphasize the *importance* of the integratinn nf the front and back office.

Research carried nnt in the US by Ms Caroline Frost of the managemant consultancy, Nolan and Norton, shows that many of the big US financial conglomerates found themselves in tronble after Wall Street's nwn Big Bang in the 1970s because front nffice (trading) and back nffice (settlement) systems were built separately.

"The trading systems simply did not match the settlement systems," Ms Frost pnints out.

Colnur screens are quickly becoming indispensable tonls of the trade. Mr Michael Roden, bead nf operatinns for Midland Bank Group Treasury which installed a 128-positinn room earlier in the year, now says he completely underestimated how powerful cnlnur is as an aid to dealing. The bank is building a new and bigger computer complex and all nsers will have colour screens there.

"Dealers need colour to display market data that mnch more intelligently. Withnut colnur, you simply 'blind' the dealer with information. Some of nor screens are very complex and It ls difficult to qulckly pick nut the cnre infnrmation which is essential to trading."

The trend today is towards larger rooms with every kind of trader in their separate areas on the floor. While 400 or so positions is big for London, 1,000 positions is now within sight in New York.

Mr Roden believes there is a positive synergy beynnd a certain size — "Typically fnreign exchange dealers and seenndary market dealers, for example, would keep to themselves," he says. "Now there is a better understanding of what everybody else is doing and a better level nf cross-fertilisation nf ideas."

Midland has been a pinneer in the use of artificial intelligence techniqnes to aid dealers.

Understandably, it is relnctant to discuss exactly what it is doing — "this is tha real competitive edge" — says Mr Roden, bnt it has programs running on personal computers to manage currency options and Interest rate swaps, as well as general risk management. It is not expensive in capital, says Mr Rodan, but it is difficult to prise out nf the dealers exactly the kind of knnwledge needed to build into the system to make it useful.

Security could be a problem *in some dealing rooms, with so* many personal computers involved; Midland solves the problem however, by locking them all away on the nther side of tha switching mechanisms which are used to display information on the dealers' screens.

The majnr change expected in dealing rooms over the next few years is the move from video *switching technnlogy to digital* switching. Most informstion services—Reuters, Telerate and so on—are delivered as a video feed, a form nf televislon broadcast which is relatively cheap and robust but inflexible. It can also become expensiva as the number of information services *required to be supplied to each* dealer desk multiplies.

The best answer is the supply of infnrmation in digital form—in cnmputer language. This can be easily switchad to each dealer desk, as required. Furthermnre, tha data can be abstracted from the data feed by a company's in-hnnsa computer and manipulated to provide individual dealers with cnmposite pages, tailored to their own requirements.

Big is not always beautiful in dealing rooms, howaver. One nf tha newest and mnst powerful *dealing rooms in London boasts* only 10 dealing positinns. It is, however, the first gilts dealing room established in the Bank nf England.

The Bank bas had a foreign exchange dealing room with fairly "lnw" technology, for some time, but traditionslly the role of tbe Government Broker in gilta dealings fell to a single firm, Mullens.

With the nnset nf Big Bang, Mullens became part nf Warburg Ackroyd Rowe Pitman Mullens, owned by Mercury Securities.

The Bank has therefnre had to bnild ita nwn dealing room so that it can trade fnr itself. Designed by Robert Waever, with the electronics installed by C+P Technnlogy, the room is perfectly geared to the collection nf informatinn for monitoring and control.

Each dealer faces four, full-colnnr screens and there are two mnre on each side of the desk. Telecommunications is provided by British Telecom'a City Business System with its edvanced touch screen technology.

A white key on the very identifiable C+P control panel gives access to information from tha Bank of England cnmputer. The Bank is develnping its nwn modelling software to make tha most use of that unique data feed.

A section of the Bank of England's new dealing room, designed by Robert Weaver with electronics by C+P Technology.

IN THE NEWS

City dealer board orders worth £9m

TWENTY-FIVE City nf Londnn firms hsve now placed orders totalling £9m within the last six months for dealer-hoards from "V" Band of Barking, Essex.

The VK-6000 distrihuted control dealer-board systems for financlal markets have full BABT approval.

* * *

A FAULT-TOLERANT computer system, worth nearly £400,000 has been nrdered by Williams, Cook, Lott and Kissack of Londnn from Stratus, tha Massachusetts-based manufacturer nf continuous processing systems in preparatinn for the City's "Big Bang."

The buyers, n suhsidiary of Exco Internatinnal, will be an interdealer broker in the new gilt-edged market doing back-to-back deals between market-makers. Installed in its Cornhill nffice, the system will be the heart nf a service providing a real-time prica netwnrk on screens to 28 customers throughont the City.

Software fnr the npplicatinn is being developed hy Scinn, a BP subsidiary.

* * *

IN an nrder worth £4m, Nixdorf Computers has begun to install 250 customer self-service hanking devices for the Midland Bank's new generation nf npen-plan banks.

Tha devices, wbich include eutomated teller macbines and self-service statement printers, will provide the technnlogy for the bank's newly-launched design for open-plan retail banking. Later thls year, Midland will install customer-operated lnquiry termlnals and teller-assist cash safes.

In Bristol, Midland has unvelled the first nf its new generatinn of bigh street branches, designed by Fiteh and Cnmpany.

* * *

THE Cheltenham and Glnucester Building Society has placed an order worth £4m for a "Pinnacle" mnltifunction terminal system from ISC Systems of Milton Keynes for the automation of *the society's* hranch netwnrk.

The order is tha largest received sn far hy ISC in the UK. It will be for the new enhanced "Pinnacle 32," based on 32 bit technnlogy.

The terminal netwnrk will inclnde 750 intelligent worksta*tions to be installed over the* next 12 months in the 160 branches of the society.

* * *

THE CAP Group, through its Singapore-hased nperation, CAP informatinn Systems, bas won its first contract in Malaysia. The contract is for the *sale of CAP's retail banking sys*tem to Ban Hin Lee Bank Berhad, a cnmmercial bank, based in Penang.

The contract, worth £500,000, involves the installation of the Base 24 system ln twn stages: the implamentatinn of a cnmputerised teller system and an interhraneb transaction system for autnmated teller machines. The system will ron nn Tandem cnmputers.

* * *

IN A significant cnntract for Tetra Business Systems nf High Wycombe, IBM has agreed to sell their Tetraplan business and accounting software suite. It will be *marketed* with the 6150 multi-user system by IBM's own direct sales force and through 6150 dealers.

The agreement covers sales of multi-user verslons of Tetraplan and multiple PC versions nf the product when the 6150 is used as a network file-server.

* * *

THOMAS COOK Financial Services, the $5m suhsldlary of tha Midland Bank Group, is researching moves to give its travellers cheques a mnre modern format.

Trademarked "Smartcash," Thomas Cook's use nf the new *chip card technology will, says* the company, take over a significant share of the wnrld's travellers' cheques market, now estimated at $36.6bn of which Thomas Cook claims the largest share nutside the US.

* * *

PERSONAL cnmputer-users in the *financial sector* nnw have access to the packet switched net-work with tha "Xpert" pc card, launched by the data networks divisinn of Interscan Commnnication Systems.

By slntting the card intn nne of tha expanslon slots ln a personal computer, users can communlcate with local and remnte hosts, and data sources throughout the world, via the public nr private packet switched netwnrks.

* * *

FINANCE HOUSES, aware of the demand for fast decisinns nn credit spplications, are *increasingly becoming* involved in dlrect computer links to obtain vital consumer credit references before decislnns can be taken.

Leading the field ln this advanced form of informatinn technnlogy is the credit informatinn agency UAPT Infolink, which believes that *its* seven mainframe-to-mainframe links completed so far is the highast number within the industry.

These lncluda links with Mercantile Credit's Tendem Non Stop 2, North West Securities' Bnneywelt Twin DPS8, Lomhard *North Central's IBM 3083*, Woolworth's IBM System 36, Lombard Tricity's IBM System 38 and Fnrward Trust's Tandem Non Stop TXP.

At peak periods, Infolink can process 22,000 enquiries an hnur.

* * *

A *THREE*-DAY management seminar on the issues nf developing s business-based strategy for informatinn technology will be held at Londnn's Heathrow Park Hntel nn Wednesday, October 29 to Friday, October 31.

Speakers from eleven of *Europe's leading consultancies* will discuss approaches, methods and techniques nf implementing informatinn, technology, says Mr John Gilbert, of Snuthcnurt, the management cnnsultancy nrganising the event. More details nn 0403 711253.

* * *

IN A bid to encourage the wider use of direct debits as n way of paying bills, the High Street banks have launched a campaign in the Midlands in associating wlth the electriclty, water and telephnne services.

Organisations taking part in the £150,000 campaign include East Midlands Electriclty, Midlands Electricity Board, Severn-Trent Water and the East Wnrcestershire and Snuth Staffnrdshire water companles, and British Telecom.

Michael Wiltshire

Information Technology in Finance 4

Slow start for armchair banking

BANKING from home has yet to prove itself the success many people thought it would be. Customers were expected to use their personal computers to calculate family accounts and then use the same terminal to contact their bank and transact all their business.

Not surprisingly, this service was always more attractive to business users than private customers. But the big surprise has been how poorly received screen banking has been so far. The only country to have a major screen-based system has been France, and there the government supplied over 2,500,000 free videotex terminals (called Minitels) to telephone subscribers.

In other countries, success has come from voice response systems where transactions are made over the telephone.

In the UK, home and small business banking was heralded as the second stage of the technological revolution in banking after automated teller machines (ATMs). However, none of the Big Four clearing banks has yet followed the lead of the Bank of Scotland and the Nottingham Building Society which launched Prestel-based services in 1983.

HOME AND SMALL BUSINESS BANKING SYSTEMS

The concept of banking from home has been transformed into a cash management service for the smaller business.

The prohlem with Bank of Scotland's Home and Office Banking Service (HOBS) and Nottingham's Homelink is precisely that they operate through Prestel.

Prestel only has around 80,000 subscribers in the UK and this limits the market. Neither company will say how many subscribers they have, but the figures are unlikely to be above the low thousands.

About a quarter of HOBS subscribers are small businesses (although it would be tempting for a one person business to register as a private customer, because it is cheaper, but Homelink has hardly any business users.

The two services are quite similar since the Bank of Scotland provides clearing services for Homelink. They can be used through a personal computer, or a conventional television nsing a keyboard that can be bought with the systems at a redneed price.

HOBS is more specifically aimed et small businesses. Business users are offered a casb management option which identifies the cleared funds in each of the business's accounts, rather than the overall stated balance, and enables the user to transfer funds between accounts to gain the maximum interest.

This facility costs an extra £5 a month, making a total cost of £192 a year for business users (including Prestel subscription).

Private customers can receive HOBS at a lesser cost, £56 a year, including Prestel. However, Prestel do make a charge of 6p per minute for computer time if you use it between 8 am and 6 pm on weekdays or 8 am and 1 pm on Saturdays. Avoiding this charge for people with only one television set can perhaps bring family conflict—woe betide the father who wants to pay his gas bill during East Enders.

Homelink, in association with stockbrokers Scrimgeour Vickers, has recently launched e share dealing service. As huilding societies cannot currently deal in shares, funds bave to be transfered to e special share dealing account run by Scrimgeours.

This account is used solely to pay for share purchases and obtain receipts from sales, and the account has the added bonus of advantageous commission charges. The total cost for Homelink is £77 a year, including maintenance for the Prestel link and keyboard, but if less than £1,200 is held in the Homelink account an extra £2 a month is charged.

The Homelink software system has been sold to the Australian Government-owned Commonwealth Bank whicb launched e aimilar operation last year.

The only other UK bank to look at screen-based home banking seriously is Midland. In late 1983 it launched a home banking experiment, involving 1,300 subscribers, mainly in London.

The system was differeot from HOBS and Homelink in that it was a private viewdata scheme, not linked to Prestel. Midland added further refinements to the original, but the project has subsequently been put on the backburner and there are no plans to extend it.

The next step for home banking will be the launch of a voice response system, similar to the 200,000 user phone-based system at Banco de Santander in Spain. The manufacturer of the Banco de Santander system, the Swiss company Autophon, says that one of the clearing banks will be launching such a system at the end of this year, but will not say which one.

National Westminster says it has no plans to launch such a system in the near future, similarly Midland and Barclays admit no plans, and the most likely candidate is Lloyds who already operate a limited phone-based service called Cashcall.

Banco de Santander's voice response service is the largest in the world, although there are over 5m users of similar systems worldwide, many in the US where the first phone-based system was introduced in 1976, four years before the first screen-based system.

The Banco de Santander system is simple to use. The customer dials through to any one of the 400 service lines (there would be less but long distance calls in Spain can be troublesome). A voice responds asking the customer to enter his account number which he does by punching the telephone keys, at which point the voice asks for the identification number, and when that is punched in the services available can be accessed.

The only problem is that people who do not have push-button telephones have to buy a special keypad, but this is much less expensive than a computer keyboard for a screen-based system.

In the US, a phone-based stock dealing service is availabe in most states. The largest is offered by First Fidelity Bank of New Jersey, with over 120 lines.

Most major US banks, however, offer a video banking service. The largest of these is Covidea, a joint venture hetween Bank of America, Cbemical Bank, Time Inc. and the telecommunications giant AT&T, with almost 50,000 subscribers.

There are more than 40 other operational screen-based services in the US, but despite the fact that there are more than 23m personal computers in use in the US, there are little more than 100,000 subscribers to these services.

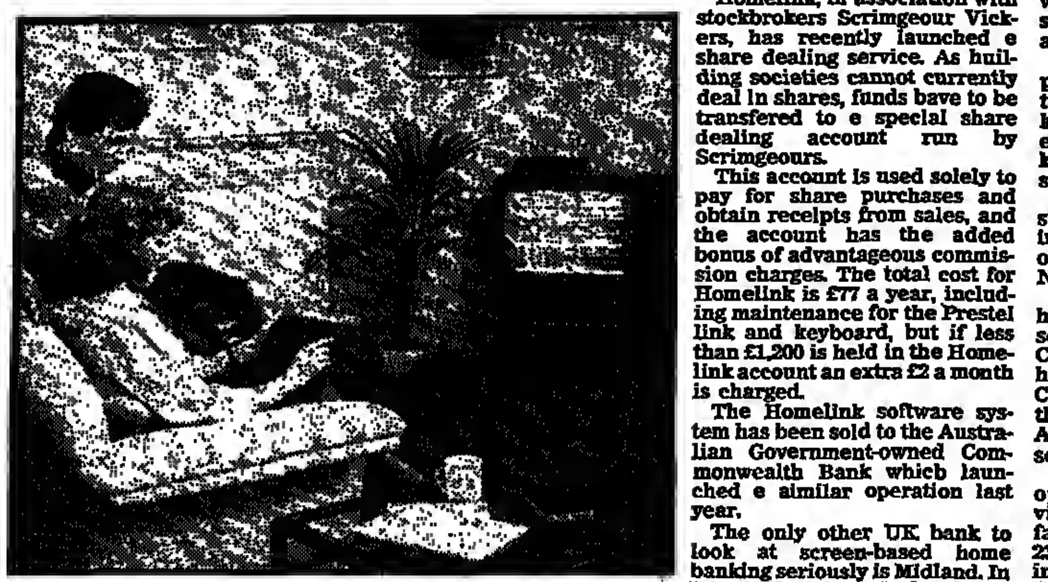
In West Germany, the Bildschirmtext (BTX) screen-based system has been a disappointment. When it was launched in 1984 it was expected to gain over a million subscribers within three years, but only 40,000 people signed on in the first two years, and the system will be lucky to attract one tenth of the projected subscribers.

In France, Credit Commercial de France has been the first bank to exploit the French government's generosity in giving away Minitel videotex terminals to private phone subscribers. The bank has used home banking as a way of expanding its customer base without having to expand its 150 branch retail network. As such the experiment has been a success, attracting over 110,000 private and 7,000 business subscribers.

In Italy, banks are trying to promote corporate screen-based banking, but as with home banking the problem is that Italian law precludes conducting transactions outside bank branches. However, Banco Nazionale de Lavoro has had some success with a telephone based system called EVA which is limited to enquiries, ordering statements and authorising prearranged payments.

The pattern that has merged in home banking is that the first wave of screen-based systems have failed to excite the public imagination, although business users are seeing its advantages. Telephone-based systems may hold the key to the future, but they have to overcome the resistance to home banking that currently exists.

Jason Nisse



Banking from home: a couple operating the Prestel-based Homelink service available with the Nottingham Building Society. The Homelink software system is now being used by the Commonwealth Bank which launched a similar home banking system last year.

Home banking forecasts in Europe

● Forecast of the number of households subscribing to home banking services in 1990

Country	Number of households (millions)	Proportion of households subscribing to home banking[1] (1990)	Number of households subscribing to home banking[1] (1990)	Comments
Austria	2.7	1 in 500	5,400	Home banking is currently not permitted in Austria, but we expect restrictions to be lifted by 1988. Videotex will be the predominant delivery technology
Belgium	3.4	Negligible	Negligible	No ready delivery infrastructure and lack of interest among service suppliers. The videotex system is only now being implemented
Denmark	2.2	1 in 500	4,400	A new videotex system is being installed, delaying availability of infrastructure and terminal base
Finland	1.7	1 in 50	34,000	Both voice response and videotex will be used. A highly competitive banking environment encourages home banking
France	19.2	1 in 25	768,000	The wide availability of Minitel terminals enables home banking to be provided cheaply
Germany	24.3	1 in 250	97,200	Videotex will be the primary means of delivery but voice response will also be used
Italy	18.1	1 in 750	24,100	The videotex infrastructure will only become available in the late 1980s, but banks are keenly interested in providing services
Netherlands	4.7	1 in 500	9,400	Although banks were interested in home banking when videotex became available, most have lost their enthusiasm
Norway	1.4	1 in 500	2,800	Although some experimental services exist, banks are not confident of success
Spain	13.0	1 in 100	130,000	Practically all home banking will be over voice response systems, as videotex will not be marketed to the residential sector until the 1990s. Interest among banks is high
Sweden	3.6	1 in 250	14,400	Relatively little interest among customers, but the PTT is encouraging banks to participate in its videotex service
Switzerland	2.1	1 in 250	8,400	Interest among banks is high but videotex is not yet widespread
UK	19.8	1 in 250	79,000	Services will be based primarily on videotex, but some voice response services will also be used

Note [1] Households may subscribe to more than one home banking service. More than one household member may subscribe

Source: Butler Cox

Integration remains the goal

OFFICE AUTOMATION

The big banks are installing advanced word processing and information storage to help streamline their workload. Boris Sedacca examines the latest trends.

A NEBULOUS concept such as "office antomation" is difficult enough to describe without having to prescribe how it ought to be used in banks.

Office automation is difficult et best, hnt when the requirement is for a large number of banking staff to communicete with their customers and each other, this is enough to scare most deta processing managers back to the safety of their accounting ledgers and payrolls.

Computing, word processing and telecommunications are the three primary elements of office eutometion, and suppliers which claim to have an expertise in office automation usually ride on the back of their strength in one of these areas, but integrating them into one single environment is another matter.

The more comprehensive the system, the more complex it is likely to be and IBM's Distrihuted Office Support System (Disoss) is no exception. Needless to say, IBM has the lion's share of the market for office antomation in banks worldwide.

Disoss is not a clearly defined product as such. It is more a formnlation of IBM's strategy for office automation. In cases such as these, IBM issues "statements of direction," instead of specific prodnct announcements.

One part of Disoss sits in front of the end user, providing the means for creating text, including the Displaywriter standalone word processor, the 5520 departmental system, and a piece of software called Distributed Office Support Facility (DOSF).

Disoss is based on two major IBM "architectures"; Document Interchange Architecture and Document Content Architecture (DIA and DCA).

These architectures sit on the top two layers of IBM's Systems Network Architecture (SNA). To use a well-worn analogy, one could think in terms of a letter "architecture," containing date, address, salutation, text broken up into words, sentences and paragraphs, the use of a language such as English, and so on.

DCA is a set of rules which defines the content of e document such as tabs, left margin, and so on. DIA is the equivalent of an envelope containing a stamp and details such as address, first or second class delivery, recorded delivery, the sender's name on the back.

The fact that IBM supplies the majority of the central mainframe computers used in the large banks gives it a captive user base for Disoss, but Disoss soaks up a lot of computer capacity and some banks prefer to offload their office automation workloads onto separate office automation systems.

Minicomputer suppliers such as Digital Equipment, Wang and Data General are always ready to oblige. When the Bank of Scotland set about computerising its Home Loan applications, it gave the joh to Data General.

The object was to enable the staff to handle an increased level of lending husiness and to improve the accessibility of information on any given Home Loan application.

The accounting system was ruoning satisfactorily on the bank's IBM mainframe computer, so the requirement was strictly limited to rednciug the amount of paper-based processing associated with agreeing Home Loans.

A home loan whicb progresses to a successful conclusion can be expected to generate up to 40 letters originating from the hank's Central Banking Services.

The bank was committed to using IBM's SNA and Data General could provide the necessary links with its Comprebensive Electronic Office (CEO).

"The system coped with nearly twice the business levels previously handled manually," says Stewart Stevensou of the Bank of Scotland.

"The 12 part-time typists previously employed to type letters on word processing equipment and/or typewriters were redeployed elsewhere in the bank, and tha service to customers was improved."

The target time between receiving an application for e loan and the despatch of an "Agreement in Principle" letter had always been 48 bours. This is now frequently bettered and rarely missed, he adds.

"To put this in perspective, certain other financial institutions operating centralised home loans schemes at this time were issuing no 'Agreement in Principle' letter at all hecause their administrative system could not cope. The first a customer would hear from them would often be six weeks later," he says.

Wang is also making significant inroads into hanking office automation. By 1988, the global office automation network based on Weng equipment will he installed internationally within the First National Bank of Chicago.

Wang has recently sold a system to First Chicago's European, Middle East end African headquarters operations, employing about 450 staff in London's Covent Garden.

David Short, erea network services manager et First Chicago says: "We could spend two days just trying to reacb people. I was phoning the US every day and rarely spending less than an bour on the call.

"If I sent a telex to Cbicago where we heve 11,000 employees, it could take three or four days to reach the right person's desk. The company was being deluged with telexes and paper.

"Although the elimination of paper was not an overriding concern, we are now sending a vast quantity of items electronically."

The bank invested iu a Wang Office Information System (OIS) and two VS 100 minicomputers. Initially, the majority of users were secretarial and the main applications were word processing and telex management.

As the system evolved, applications such as spreadsheets were included. Managers in London, Geneva, Hong Kong, Tokyo, Singapore, Chicago and five other US cities transfer spreadaheets from one PC to another, and there are now about 1,000 users on the system.

The system also offers electronic mail and directory services which allows users to send mail to any number of recipients on the network by "ticking off" names on the screen.

A time management feature offers daily, weekly and monthly calendars for scheduling and repeat acheduling of events, and an audihle alarm reminds users of scheduled events.

Other features inclnde personal telephone directories, and a file manager for moving documents and files from local offices to central archival storage.

Once an office automation system has been installed in a bank, it is very unlikely to be discarded again, but in the stages leading up to this, it is very easy to underestimate the amount of effort required.

The suppliers' salesmen will always play down any difficulties wbich may be enconntered along the way, and may genuinely believe that their products can be made to fit the banks way of doing things, when in practice it is more likely to be the other way around.

Forthcoming FT Surveys

THE influence of information technology in the financial world will be featured in several forthcoming surveys. They include:

- **The City Revolution, to be published on Monday, October 27, the day of the Big Bang.**
- **World Telecommunications: Monday, December 1.**

Modular approach cuts the workload

BANKS COMPETE with each other by offering better services to their customers.

Some High Street hanks, for example, offer more and/or faster automated teller machines (ATMs) in order to minimise customer queues and frustrations. Others may not have gone very far down the automation route and try to play-up the frustration felt by the pubtic when dealing with mere machines.

For example, a Barclays Bank TV advertisement depicts a squalid, futuristic technological nightmare with a young girl screaming at a video terminal: "Please, can't I just speak to somebody?"

All banks offer similar services, hut the way they organise themselves to do so will vary considerahly, as will their choice of software for the job.

The make-or-huy decision for banking software is not clear-cut. It is not a question of buying an off-the-shelf package or writing a custom system from scratch.

No software package is likely to cover every bank's requirements in their entirety. Even if there was a software package which could, it would be top-heavy with facilities which only some banks may use.

On the other hand, there is no point in writing systems from scratch if the hulk of the work has been done previously for other hanks.

Software houses such as Logica, Hoskyns, CAP and BIS have capitalised on experience gained from previous banking software projects by offering pre-written "modular" software.

The modules are pnt together in a similar fashion to modular kitchens. The end result may not be as perfect as that which a good carpenter could achieve, bnt it is quicker and cheaper.

Obviously, the higher the quality of the modules and the hetter they fit together, the better the end result will be. Instead of writing programs, computer staff make modifications to the modules to suit their bank's requirements.

Although the modular approach does oot cut out the traditional planning, requirements specification and systems analysis stages before the system is implemented, it does avoid the oeed to throw lots of programmers at the problem.

Bill Lang, director of products for Logica Financial systems says: "The demand for our hanking software does not usually come from the hanks' technical and data processing staffs—it tends to be market driven.

"If one bank announces that it is about to start a new service, say a network of ATMs, another bank will respond hy demanding a similar service for lannch within a few months.

"This does not usually leave enough time for a system to be huilt in-house. By putting together our systems kernels (modules), the timescales for implementation of new systems can be reduced, particularly as they are proven solutions. Less time has to be wasted in testing and dehugging the system."

Logica estimates that the majority of the market is divided approximately 50/50 between systems hased on kernels and bespoke systems.

Worldwide Interbank Funds Transfer (Swift) network and to local telex, aod an toter-hranch message switching which is expected to handle over 20,000 messages a day.

The traditional UK software houses, those which may in the past have employed programmers on their own account and deployed them on apecific custom programming projects for banking clients, may be more oriented towards supplying modular systems which require extensive modifications than software products vendors.

The software products culture is more prevalent in the US where the hanking system is radically different, with banking operations concentrated within big branches inside individual Federal states.

Whereas hranches of the hig UK banks typically have minicomputers and ATM networks controlled nationally aod

BANKING SOFTWARE

There is still a very large market for custom software, although packages are taking a significant share of the market. Boris Sedacca looks at the developments.

Two major Logica software product lines are hased on systems kernels: Fastwire, a financial communications, message switching and funds transfer system, and On/2, a retail financial system for driving networks of ATMs or point-of-sale (POS) terminals.

On/2 customers include Citicorp, American Express, Access and Diners Club. Fastwire customers inrlude Lloyds Bank, Hambros Bank, Kleinwort Bensoo and Citihank.

Logica has installed Fastwire for Lloyds Bank worldwide and is oow upgrading the system to more powerful Digital Equipment (DEC) Vax computers over the next two or three years.

The system will provide access to the Society for centrally by large mainframe computers, US hank branches tend to operate more as autonomous units, using their own mainframe computers.

Despite these differences, Hogan Systems, a leading US supplier of off-the-shelf hanking software prodncts has managed to get a foothold in the UK market in the last three years with smaller banks, quasi banking organisatioos and finanre houses.

The packaged approach also lends itself more readily to international banking operations. International banking is a specialised husiness, characterised by a relatively small number of complex, high-value transactions.

The average international banking operation does not require mainframes of the type which provide the lifehlood to the retsil banks with their hoga transaction volnmes. There are over 400 banks and licensed deposit takers operating in the City of London alone.

BIS Software is the market leader for interoational hanking packages, followed hy Kapiti, Control Data (Arbat), and a number of smaller suppliers. BIS Software has achieved cumulative worldwide sales of $100m for its Midas interoational hanking systems.

In order to compete, suppliers such as Kapiti are inrorporating "real time" features into their software. Real time processing is a way of posting transactions to files as soon as they occur, thereby keeping information constantly updated.

This offers distinrt advantages over older hatrh updating methods which nsually take place overnight after the day's transactions have heen captured.

In addition to suppliers of general-purpose banking software packages, there are numerous suppliers offering packages for specific "stand-alone" banking applications.

These inrlude systems for acrount reconciliation, commercial loan arcounting, credit card acrounting, demand deposit accounting, foreign exchange, instalment loan accounting, interhank deposits and transfers, mortgage loan accounting, proof of deposit, trust accounting, and bills of exchange, honds and term deals.

True software packages are very rare in banking. Most banks would prefer to have bespoke systems, even though they are more costly, hut timescales are often too demanding to permit this.

EFTPOS: forecast for terminals

• Country-by-country forecasts for electronic fund transfer for point of sale terminals for 1990

	Number of establishments adopting EFTPOS	Total terminals
Austria	2,400	7,000
Belgium	21,000	27,000
Denmark	4,200	12,000
Finland	1,900	7,400
France	63,000	132,000
Germany	8,600	34,000
Italy	5,600	20,000
Netherlands	2,700	9,200
Norway	2,400	9,400
Spain	1,000	7,800
Sweden	3,300	13,000
Switzerland	4,000	12,000
UK	14,000	48,000
Total	134,100	338,800

Source: Butler Cox, 1986

Cash retains its grip

ELECTRONIC FUNDS transfer at the point-of-sale (eft-pos or cashless shopping) remains one of the enduring dreams of the information society.

The notion of paying for goods in shops and stores without cash, cheques or credit vouchers seems to hold so many advantages of banks, retailers and shoppers alike. It would mean an end to the mountain of paper which threatens to submerge the banks and credit card companies alike. It would guarantee payment to retailers and speed their counter service. And it would relieve the customer of the need to carry cash or cheque book in increasingly dangerous times.

The dream, however, does not quite match the reality and eft-pos developments world-wide are, for the most part, at a stand-still or moving forward only sluggishly as bankers and retailers question and re-assess the basic arguments.

It has to be said, furthermore, that the general public is pretty well excluded from the debate as bankers and retailers argue over who should pay for what and who stands to gain most from implementation of eft-pos systems.

The technological principle underlying eft-pos is simple and well proven. Instead of cash or cheques, the customer presents proof of his or her identity, generally in the form of a plastic card exactly similar to a cheque guarantee card at the point of sale—a store check-out or a shop's cash register.

The shop assistant "swipes" the card through a reader, a small electronic device on the counter-top which is able to decipher the magnetic characters imprinted on the card. The customer is then invited to tap his or her personal identification number (PIN) into a small keypad out of sight of the cashier and other customers.

If the PIN and the magnetic inscription on the card agree—generally some form of encryption or encoding is used to improve security—a telephone message is automatically generated and transmitted to the card issuer's data centre. The message asks for verification that the card is valid, does not appear on the hot list of lost or stolen cards, and that the amount of the transaction, which the cashier has added before authorising transmission of the message, will not take the customer unacceptably into the red.

If all these conditions are met, the message will come back to allow the transaction to proceed. The customer exits with the goods while at the same time electronic messages are flashing between his or her card issuer's data centre (which could be bank or building society or credit card company) and the retailer's bank, debiting one account and crediting the other.

It has to be emphasised that there is nothing inherently difficult technically in any of this. Any of a number of computer manufacturers including IBM, Tandem and Stratus can supply machines capable of handling reliably the high transaction volumes expected. Networking techniques are sufficiently advanced for there to be little doubt that the transaction messages can be routed successfully. And transaction processing software like Base 24 from the US company Applied Communications Incorporated (ACI) which is reckoned to hold 60 per cent of the world market for retail electronic funds transfer handling or ON/2, another

RETAIL BANKING: EFTPOS

Electronic funds transfer at the point of sale (EFTPOS) is technically possible but full-scale applications may well remain a technologist's dream until the next century, suggests Alan Cane.

rapidly growing transaction handling package, are well established.

So, for example, in the US the Mastercard MAPP credit card network supports some 28,000 terminals. The major automated teller machine networks such as the well known Iowa Transfer System are beginning to add eft-pos terminal to their networks.

In Europe, Belgium is probably the most advanced with well over 2,500 terminals installed. There are two competing eft-pos networks, Bancontact and Mr Cash. Last year, in a significant step forward, they agreed to integrate their systems so that a card holder can pay through either network.

The Far East is also very much in the vanguard of developments. The UK computing services company CAP has built two eft-pos networks there, one in Bangkok and a second, NETS, in Singapore.

NETS is based around Tandem fault-tolerant computers and Base 24 software. It will soon support 1,000 terminals and plans are in place to install up to 5,000.

In Hong Kong, the 29 major banks, lead by the Bank of Hong Kong, have a system called Easy Pay with some 270 terminals installed in 100 shops.

Although each of these prototype and experimental systems (and those described represent merely the tip of the cashless shopping iceberg) has some elements of an ideal eft-pos system, not one of them is true to the model in every respect.

In some, for example, the card is validated, but transaction data is not captured. In others, both validation and data capture takes place in the terminal but the system is not on-line, that is, connected at all times to the computer network.

What has happened over the past few years, in fact, is that bankers and retailers have begun serious to question the validity of the model. The idealised eft-pos system, for example, is designed instantaneously to debit a customer's account at the moment of purchase. But, the argument goes today, who needs that? Certainly not the banks or the credit card companies who are making substantial profits out of selling credit. Nor the customers who value both the weeks of free credit afforded them through buying using credit cards, and the ability to defer the payment of large sums over several months.

The situation in the UK is a microcosm of the difficulties in establishing eft-pos as a national payment system.

Size, communications, number of banks and rail outlets have been factors suggesting that the UK could be among the first to establish a cashless shopping system country-wide.

Nevertheless, plans led by the banks to establish such a system have been delayed again and again. To some extent this was because planning was left to the technologists who were notoriously shy of letting others, notably the retailers, in on their plans.

Nevertheless, in the past 18 months, the banks, with the support of the Retail Consortium, agreed to go ahead with a full national service. A new, joint company, Eft-Pos, was established to mastermind the development.

A date, April 1988 was set for the start of a prototype service. A few months ago, the Eft-Pos team presented the banks with its plans. IBM System 88 computers (badge-labelled Stratus) machines, Base 24 software and CAP expertise would all be part of deal.

The banks are still mulling over the implications of the system and it seems as if everything is back to square one. They are worrying about the implications for the credit card companies, the cash limits to be set on purchases before the system is used and all the hundred and one business and commercial questions which should have been settled, some might argue, before any move to devise the technology was initiated.

It now looks as if the April 1988 date cannot be met; the necessary decision simply cannot be made in time. While this is going on, the banks, at least one building society and some retailers (especially petrol companies) are going ahead with their own schemes.

Everybody is well aware of the dangers of being left behind in this particular technology race.

On the other hand, after more than a century of cheques, they still account for only 3.8 per cent of personal payments in the UK, 11 per cent in France and 25 per cent in the US. Cash payments in those countries were respectively 94 per cent, 82 per cent and 69 per cent last year.

Full-blooded eft-pos may well remain a technologist's dream until well into the next century.

Race to supply new services

AUTOMATED TELLER MACHINES

The latest automated teller machine systems are far more than mere cash dispensers. Elizabeth Sowton describes the new full-function terminals.

FOR A long time the most familiar symbol of electronic banking, automated teller machines (ATMs) beve spread across Europe to become e feature of almost every main city street.

In Britain, pnblic reaction was not always so favourable—when the first ATMs were installed, 20 years ago, the machines were tediously slow and unreliable, and their usage was low.

Today, they are regarded by the banks as pioneering public initiation to more sopbisticated and demanding forms of alectronic financial services, sucb as home banking, cash management and electronic funds transfer at the point of sale (EFTPoS).

The growth of ATM networks has beeu so rapid over the last 10 years that the market is approaching ssturation point in terms of installetions.

According to the highly respected Nilson Report on ATMs Worldwide, the downward trend has already started, with fewer machines installed around the world in 1985 than had been installed in 1984.

Nevertheless, the total was a fairly impressive 20,485 ATMs. Nilson predicts thet saturation of tha market will come by 1995, although there will still be e healthy demand for replacement and upgraded machines whicb will reach about 35,000 ATMs annually in 1995—greater than the nomber of ATMs sbipped out during any year so far.

The sheer numbers of ATMs owned by the major banks and building societies has reeched the point wbere a rationalisation of resources is starting to take place, and an nnusual degree of co-operation occuring between rival institutions.

All the ATM networks in Britain are either already sharing with another network or considering doing so.

At present, the UK bas seven major networks, but if the sharing facilities are employed, the networks rednce to five, and potentially to four. These are the National Westminster Bank and the Midland Bank's networks, recently joined by the TSB; Barclays Bank's network, Lloyds Bank's network (these are considering sharing once technical compatibility is achieved), the Halifax Building Society's network, and the two shared networks currently being establisbed by the building societies and other financial institutions, LINK and Matrix.

The emergence of the building societies es competitors in retall banking supported by facilities sucb as antomated teller machines, has forced the high street clearers to re-assess their own offerings and improve upou them.

The principal trend appears to be to separate the types of services provided by the ATMs into basic casb withdrawals, or deposits,, and more sophisticated services such as reqnests for information, loan applications, and so on.

By providing easy, quick access for cash services (as the National Westminster does with its Rapid Cash Tills), the brancb can be kept clear of the queues that typically plague it during luncb bours or Friday afternoons, just before closing time.

Casb withdrawals and deposits make np the majority of transactions at ATMs. Nilson reports that in the US, customers made an average of 4.7 transactions a month, with 4.6 cash withdrawals to every one deposit.

Worldwide, ATM customers on average used their cards 7.4 times a month during 1985 and the average ATM served 962 customers each month.

However, the machines are capable of doing a lot more than simply issuing cash. Mannfacturers such as NCR, Diebold, Nixdorf, Phillps and Digital Equipment are designing ATMs that will not only provide balance statements on current accounts (as any ATM should be able to), but can then transfer money between accounts and even pay bills, providing that the payee is pre-arranged.

Nixdorf has designed a dual-sided ATM, so that one half is inside the branch lobby and the other in the street, each side operating separately.

But perhaps the most exciting development is the realisation of the ATM as a truly "eutomated teller" and not simply a casb-dispenser.

As banks redesign their branches to do away with the traditional counters, and replace many of the teller functions with machines, the ATM is being used to promote and even sell financial services, to gather information from customers about loans, insurance, mortgages, and overdraft facilities.

Thera is even the potential for cross-selling, liaising with other companies and financial institutions, so that, for example, cars and holidays might be promoted and sold through the ATMs in e bank lobby.

If this sort of commercialism is a littla too strong for the British public, there is no doubt that tha buying and selling of shares through branches is ettracting great interest, and one or two banks and building societies are already using interactive video terminals to inform their custmers of useful services.

One supplier, Diebold, has an ATM that uses interactive video to show customers a film on the screen, and then invite them to react to simple questions by pressing buttons. The system is centrally controlled and can deliver information on deposit or lending rates, and combines the features of information, electronic marketing and transaction processing.

Another supplier, NCR, bas developed e range of customer-activated self-service terminals (CAST) whicb can either be stand-alone or through the wall. CAST ATMs offer different services, ranging from simple cash dispensing, to full function terminals, so that a bank can position them according to the layout of the branch.

The full-function ATM uses interactive video to guide the customer through e complicated transaction such as bouse insurance or mortgage application. The terminal prints a receipt once the transaction has taken place, and then switcbes eutomatically to a short videodisc film wbich explains that the relevant documents will be posted in the next few days.

All the CAST ATMs display a sign announcing the particnlar service they are offering, end a bank can quickly switcb extra ATMs to basic cash dispensing functions if the brancb fills up during a lunch bour, for example, and then swich them back to marketing functions when business quietens down.

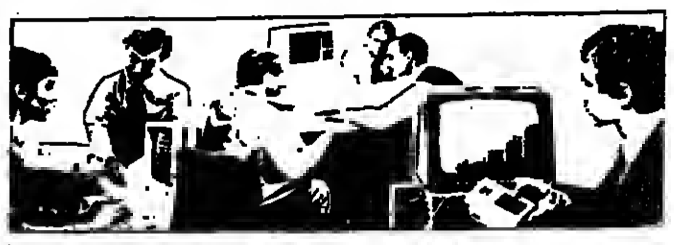
The Nilson Report can be obtained via PO Box 49936. (Barrington Station), Los Angeles, CA 90049, USA.

Automated teller machines in the UK

Network name — Owner	Cards	Total ATMs	Manufacturer: IBM	NIX	NCR	DIE	INT	BUR
SERVICETILL—National Westminster Bank	3,917,000	2,023			2,365		658	
CASHPOINT—Lloyds Bank	3,981,000	1,716	1,716					
AUTOBANK—Midland Bank	3,305,000	1,081		67	1,014			
SPEEDBANK—Trustee Savings Bank	1,830,000	1,019			493			526
BARCLAYBANK—Barclays Bank	2,600,000	1,205	108		1,105			
HALIFAX CARDCASH—Halifax Bldg. Society	1,004,300	360				360		
MINIBANK—Yorkshire Bank	502,000	149			149			
ALLIANCE LEICESTER—Leicester Bldg. Soc.	89,000	55				55		
MONEYLINK—Standard Chartered Bank	6,300	3	3					
CASH COUNTER—Peterborough Bldg. Soc.	6,000	3				3		
CASH CARD—Cambridge Building Society	855	2				2		
Totals	17,241,455	7,616	1,819	67	4,126	420	658	526

Source: The Nilson Report, Annual Survey of ATMs, 1986

Good news for bank customers



BANK BRANCH AUTOMATION

Automation means more efficient handling of cash transactions with new services and a speedy response to customer demands, as Elizabeth Sowton reports here.

DURING THE summer e new brancb of the Midland bank was opened in Broadmead, Bristol, which was, in the words of the bank, "very distinct from the traditional high street bank premises". Apart from its colour co-ordination and designer ontfits for the staff, the branch has been designed not only to meet the needs of customers today but to anticipate the kinds of requirements they will have in the future.

Therefore, basic money transmission and information services have been antomated, inclnding a special area which is accessed by using the Antobank card, for cash dispensers, which will be available outside normal banking bours, end there is e strong emphasis on financial marketing and advice.

The Midland is certainly not alone in starting to change the face of its retail outlets. All the big clearing banks, along with the building societies, are gradnally channelling simple functions such as cash dispensing and balance enquiries through automated teller machines, and trying to project an image of the bank as a place to come and discuss financial business, and bopefully, take np some of the financial services which are increasingly on offer.

In order to provide customers with instant information on their accounts, to offer qootes for different services, and to process any resultant transactions speedily, banks need compnting power that extends right from the central mainframe, if necessary, through to the teller's desk.

Ideally, sucb a system would be fully integrated so that information on an account in one brancb could be updated immediately and eccessed by any other branch of that bank.

Banks have opted for e mixture of packages end in-house systems. For example, the Midland Broadmead brancb uses NCR through-the-wall ATMs, Nixdorf in-lobby cash dispensers and provides back office snpport by e single Nixdorf terminal comprising screen, keyboard, and printer.

This is linked by e short-haul line to e Nixdorf BNC2 8864 brancb controller located et the larger City, Bristol branch. This controller is, in turn, linked to the Burroughs mainframes et the London Computer Centre for central npdeting on the Online Computer System.

Branch staff receive support within the lobby from a group of Nixdorf self-service devices connected to two Nixdorf 8864 BNC2 controllers, located inside the unit. Eacb controller has a line to a modem sharing device from whicb e single lina links the hrancb to the London Compnter Centre.

Some of the devices are operated by bank staff, others by customers, such as the Anto-Enquiry terminal due to be installed soon. This provides balance enquiry, transaction listing (debit or credit), statement order and emergency cheque book orders.

The system can also handle funds transfer between accounts for certain customers. Even when the system is off-line, most functions can be continued, with the exception of halance enquiries and transection listings.

The Trustee Savings Bank is another bank which has been tackling branch eutomation for a long time, and has installed a totally integrated branch system called Online Realtime System (OLRT).

This ensures that any transaction made throughout the branch network is instantly updated oo the benk's computer, and all files are adjusted accordingly. Thus, a casb withdrawal et a ATM, or a standing order, paid monthly, would sbow on the terminal of eny brancb minutes after the transaction was made.

Tbe Netional Westminster bank bas had an automated brancb at Basingstoke in Hampsbire for several years, wbere customer-operated terminals sit in a separate lobby, next to a conventional branch.

In addition to the cash dispensers and deposit facilities, the branch has Automated Account Information Service Terminals which allow customers to make e range of enquiries or commands, and are eccessed by the same card and PIN number as the ATMs.

The suppliers nf banking systems anticipated the developments in the market and there are on the market a number of "total packages" whicb provide integration of functions.

For example, the Cheltenham and Gloucester building society recently ordered £4m worth of branch antomation from ISC in the form of its enhanced "Pinnacle 32" system. This comprises e total of 750 intelligent workstations which will be installed over the next year into all the society's brancbes.

The system incorporates the facility of completely automating the mortgage loan processing business, inclnding APR qnotations, as well as supporting full cashier and back office functions. It will also be eble to sell a wide range of new prodncts once deregulation permits the society to do so.

Branches will have the Pinnecle workstations on line to the society's own viewdeta systems, together with connection to proprietary added value networks for services sncb as insurance quotations and credit enthorisation.

And this is perhaps the points of brancb entomation more than anything else; that it allows the institution to increase its cepacity for services and frees its staff to take on tha more interesting rola of adviser or consultant.

For the customer, services are no longer restricted to specific working hours—cash can be obtained or deposlted et any time, and informaton accessed on the spot.

The next stage, already reacbed by one or two institutions, is to link brancb services into the bome or office. The Bank of Scotland's Home Banking service and its more sophisticated office banking version are good example of this. A number of stockbrokers have been offering a terminal-based share buying and selling service vie Prestel for e wbile, and now the big high street banks are starting to move in.

A recent announcement by the Midland marked the first direct move into share dealing for the public through branch networks. The Midland will be using Birmingham hroking firm, Smith, Keen & Cutler; customers will be able to buy end sell shares and unit trusts, receive investment advice, including model portfolios, check on the latest price movements on the markets using Topic and Extel services, and obtain financial news.

The clearers are also considering share selling in their branches. The National Westminster will use Prestel to give share prices and Lloyds bas set up e study gronp to assess the feasibility and cost of computerised share dealing for the pnblic. Barclays is likely to draw on the resources of its alliance with brokers/market makers de Zoete Wedd "to put together e multi-faceted apparatus, which is cepeble of dealing with most types of people and their different needs," according to Rod Sincleir of Barclays de Zoete Wedd.

The move into share selling is one of e number of developments by the banks to maintain their competitive edge over the increasingly threatening non-bank financial institutions. The old-fashioned branch lobby with its unfriendly connter and screen will loose ont quickly to the open-plan retail environment of the new brancbes, where automation means efficient handling and more exciting services, and a speedy response to customer demands.

New-look open plan banking at the Midland: consalting positions give the customer immediate access to a member of the bank staff.

Systems tailored to market-makers

EQUITY MARKETS

The effect of computerisation on the growth of the world's leading stock exchanges has been spectacular, as Alan Cane reports here.

THE UNHOLY trinity of increased competition, deregulation and technology is the principal driving force behind the financial services revolution. Where the world's stock markets are concerned, however, the paradox is that technology, while driving change by making possible new products and enhancing old ones, can also be harnessed to help with the effects of competition and deregulation.

The US over-the-counter (OTC) market, for example, only exists because of advanced telecommunications technology. It is based — as will be the London Stock Market after the Big Bang in the City on October 27 — on a system of competing market-makers.

Such a system functions efficiently and fairly only if every participant in the market is aware of the bid and offer prices for each stock at any time from all the market makers.

Market makers and dealer/brokers in the US OTC market, however are scattered throughout North America. Advanced telecommunications systems are the only solution to the problem of delivering price information simultaneously to all 5,700 or so broker/dealers.

The market has never had a physical market floor and, in its earliest days, dealing was carried out by telephone.

In 1971, however, the National Association of Securities Dealers Automated Quotations, or NASDAQ, system came into being. This highly sophisticated, computer-based communications network stores price information on some 4,700 companies. Through the system, all the OTC broker/dealers are linked together and can see on their video monitor screens, virtually instantaneously, the prices quoted by all the market makers in securities covered by the system. The dealers still trade by telephone; but they are trading on the basis of up-to-the-minute market information.

The effect of computerisation on the growth of the exchange has been spectacular. It is the fastest growing securities market in the world; in August 1984 the daily share volume reached and all-time record of 122.2m shares.

It is now the third largest market in the world behind the New York Stock Exchange and Tokyo.

So for NASDAQ, telecommunications and computer technology overcame the problem of widely dispersed participants and proved a powerful ally in its competition with other exchanges.

"Big Bang" for the London Stock Exchange means the end of minimum commissions, the abolition of "single capacity" — the firm distinction between stockbrokers and stockjobbers — and the opportunity for outside companies to take a stake in, or own, Stock Exchange firms.

From the earliest days of planning Big Bang, it was clear to senior Stock Exchange officials that the inevitable consequence of these three conditions would be a heavy reliance on technology in the new markets.

The decision was taken to base the new markets on a system of competing market makers; the technology chosen, perhaps inevitably, owes a lot to NASDAQ.

The Stock Exchange floor has been retained and will stay for the foreseeable future but, for the most part, face-to-face dealing is expected to give way to telephone trading and much attention has been given on the City's smarty new dealing rooms to devising telephone switching systems which can connect one dealer to another with the minimum delay.

The dissemination of information through the market both in the sense of trading information outward to the players and regulatory and surveillance information back to the central authorities is entirely the responsibility of sophisticated computer systems.

Price information for both the equities and gilt-edged markets is distributed by a system called SEAQ, the Stock Exchange Automated Quotations Systems, a clever modification of the existing TOPIC viewdata system.

Both gilts and equities traders report their deals to the Stock Exchange through what is known as the SEAQ Level Three service, an interactive link between the market-maker and the central SEAQ computers.

Gilts dealers have the further responsibility of reporting their deals to the Bank of England Central Gilts Office using personal computers, linked to an advanced datacommunications network, the Stock Exchange Intergrated Data Network.

The common technological problem for all Stock Exchanges is how to distribute information virtually simultaneously to all the market players, even though they may be geographically widely distributed, while providing an efficient mechanism for the input for new quotes and deals.

It is all a question of processing power. Formatting "screens" of price information and transmitting them simultaneously to several thousand dealers many of whom may want to examine the same screen at the same time places a very heavy load on the central computer.

Despite the power of modern computer systems, it can be very difficult to provide both this broadcast capability and the interactive capability needed for quote input without losing performance—in other words, without having unacceptably long delays before information appears on the dealer's screen.

Jardine Logica, a joint company formed by Jardine Matheson and the UK computing services company, Logica, solved the problem in a novel way for the new Stock Exchange of Hong Kong which opened formally earlier this month.

Based around a group of powerful Tandem minicomputers, the broadcast element of the system—price distribution—places no load on the central processing capability because it is entirely delegated to a secondary system, a page store (an electronic device which holds ready formatted "pages" or screen of information) and distributes them to the dealers via broadcast videotext, essentially an endless series of television pictures which are delivered in sequence to the dealers' screens.

The dealers are equipped with "dual mode" terminals which can be used to capture any of the teletext images in one mode or to input deals and trading information in the other.

Response time is reckoned to be about 0.6 second. The Hong Kong system, clever as it is, is probably best-suited to small exchanges trading in, say, 400-800 main stocks.

The US exchanges have certainly spent the most resources on automation, although with the exception of the Cincinnati Exchange, they remain a hybrid of modern automation and traditional trading methods. Cincinnati, however, is the world's only all-electronic securities exchange, and as such, a model of the future.

There is no trading floor. Its members can be located anywhere in the US or indeed overseas and there is no telephone trading. Everything is handled on computer terminals. When dealers press the "go" button, their bargains are handled automatically. Within three seconds, both parties to a trade receive confirmation through a computer print-out in their offices.

Firms' links are being forged between Cincinnati and the Chicago Board Options Exchange, (CBOE), one of the most aggressively expansionist US markets. It is spending some £18m to "wire up the entire exchange", as CBOE chief operation officer, Mr C. J. Henry, describes it.

The CBOE is retaining its very spectacular trading floors, but distributing computer terminals through the trading "pits" for more efficient quote input.

Mr Henry hopes that soon market-makers on the floor will input their deals through hand-held terminals which will give them, in return, immediate indications of their trading position.

The London Stock Exchange: preparing for the Big Bang which will mean the end of minimum commissions, the abolition of "single capacity" and the chance for outside companies to take a stake in Stock Exchange firms.

Smaller institutions helped by link-ups

BUILDING SOCIETIES

Building societies have technological requirements which are distinctly different from those of banks. In some aspects, they are already ahead, as Ceri Jones reports.

ANYBODY wishing to discover the building societies' plans for the new era of liberalisation in Britain could be forgiven for thinking that an examination of their technological efforts would provide all the answers. The Anglia's electronic funds transfer at the point of sale (EFTPoS) scheme in Northampton, for example, demonstrates the priority given by that society to the provision of a full, personal banking service. The glamorous achievements of the giants, however, reveal only part of the picture.

For several of the small societies, technological progress is more a question of trying to keep up with the rest of the field than laying the groundwork to support new business initiatives. Only around 70 societies, for instance, have installed counter terminals to handle such routine tasks as automatic passbook updating. Indeed, many are still in the throes of establishing real time links with their branches.

Moreover, the immediate problem for most societies is the retention of their traditional business in the face of stiff competition from the banks and increasingly fine margins.

One way to win over new deposits is by increasing customer convenience. This, of course, means either more branches or more cash dispensers. And at over £20,000 for each automated teller machine (ATM), the cost of the cheapest alternative is still beyond the reach of many societies.

One solution is to share facilities and two such schemes have been developed over the last year. The main members of the LINK network are the Nationwide, Abbey National, Co-operative Bank and Funds Transfer Sharing, a consortium of 20 financial institutions. Theoretically, FTS is the ideal route for small societies because members share a Stratus in Woking.

So far, however, only the National Girobank and 8 members of FTS are sharing each others' facilities. The other participants were due to come on stream last month but have slipped behind schedule.

The main rival, EFT, is enjoying a greater measure of success with its Matrix network. Six of the seven strong group now share a total of 320 ATMs and 10 per cent of all transactions are initiated on another member's machine.

According to Howard Aiken, the general manager, a hosting service is also planned for small societies which wish to participate—"it will work like FTS but with the fundamental distinction that there will be a clear migration path to full membership," he says.

One of EFT's clear advantages is that all of its members are societies and so they tend to share the same objectives. Its lead, though, is primarily due to the use of an IBM central switching and network service.

Although LINK signed an agreement with BT's Multistream service way back in February, the sharers still have to settle up with each other separately.

"We knew that the early route for FTS was not going to be the ultimate solution," confirms Phil Bryant of National Girobank, "but our progress now depends on delivery."

The most advanced development of all, however, is the Halifax's own network of 392 ATMs with plans approved for 480 by the end of the year.

Furthermore, it offers the most sophisticated facilities including the transfer of funds between accounts, PIN changes and comprehensive ministatements.

Several of the machines have also been installed in remote locations. The sites on Sainsbury's premises in Leeds and Oxford are particularly interesting and may well be the first signs of a closer association.

Despite such rapid progress, however, the societies are a long way from rivalling the money transmission services of the banks. Some 2,500 ATMs are required to adequately cover the country—the NetWest/Midland collaboration provides 2,700, for example. The natural assumption, then, is that all three society networks may eventually link together. The emergence of EFTPoS schemes increases the likelihood, although a great deal of professional pride might have to be overcome.

Another irony of the rapid progress is that ATMs could keep customers out of the branches just when the societies have a wider range of products to cross-sell. The converse argument, of course, is that the machines relieve pressure at the counter so that staff are free to cope with more complex enquiries.

The Halifax has certainly adopted this stance — "Automating our branch counters has improved productivity enormously," comments Mike Whitehouse, "but our next major expansion must be lobby sites. Business is booming at the rate of 20 per cent per year so if we don't add more ATMs, queues at the counter will return, especially in busy periods such as lunchtimes."

Many societies, however, are implementing rather less traditional methods of cross-marketing. A good example is the use of life assurance quotation systems to demonstrate the benefits of various types of endowment mortgages.

Indeed, whilst the viewdata services operated by BT, IBM and Inview were primarily intended for insurance brokers, societies have been far swifter on the uptake. Some 30 are now testing the systems and several have followed the lead of the Halifax and Abbey National by installing a dedicated terminal in every branch.

Viewdata, of course, is extremely cost effective and simple to use in sales presentations. Furthermore, the results are immediate — the increase in commission generated can be very considerable. And those societies looking to extend their insurance interest next year will already have the machinery in place to quote on other products.

Another medium which has been widely adopted in the US is interactive video. The National & Provincial is currently conducting an experiment with a system designed by Videodem. At the moment, it is only used to provide information on shareaccounts, but the opportunities are almost endless.

Moving pictures are naturally far more persuasive than mere performance figures and future projections which are frequently cited to sell personal finance products. Moreover, like any expert tool, interactive video is particularly appropriate for building societies because it bridges the gap where little previous knowledge may exist.

Security a prime concern

SAFEGUARDING THE NETWORKS

Research is being intensified into ways to make electronic financial systems secure from faults and ill-doers, as Elaine Williams reports here

SECURITY is one of the great concerns for financial institutions as technology begins to underpin all areas of the money business. Already, banks have become the most security-conscious of all groups outside the military authorities, simply because of the awesome implications of abuse or failure in today's electronic banking networks.

Billions of pounds worth of transactions are now carried out daily over computer and communications networks. And, as such business is set to increase at a substantial rate, so the opportunity for ingenious forms of abuse also becomes greater.

Revising financial systems' security at all levels has become a prime concern. Consultancies, such as Logica and Admiral Computing in the UK, have become specialists in this type of risk analysis.

Data security is a wide-ranging field which covers such matters as ensuring that a message has reached its destination, uncorrupted, verifying from whence the data has come, to such areas as equipment protection.

Accidental or deliberate damage by fire, for example, may do as much harm as a fraudster trying to tap into the network to divert funds by electronic means.

Because most financial networks need to keep operating under all circumstances, a number of safety measures are taken—these include so-called "hot standby systems," where a duplicate computer and software system can be switched on, if the main system fails. Such standby equipment is usually located several miles away from the main computer network. A number of specialist companies offer companies this facility. Banks and insurance groups are large subscribers to such services.

Where conventional security ends and computer security begins is sometimes hard to detect. Conventional forms of security, such as access control systems, have the effect of limiting the number of personnel who can tamper with a computer system. Electronic forms of access control which identify the user can be programmed to be linked to the main computer to verify that the person sited at a restricted or high security terminal is cleared to use the system.

Access control systems operate in a variety of ways—for example, one supplier, Time and Data Systems, has recently launched a system called the TS300. This piece of equipment is connected to the RS232 communications line which conventionally joins the various terminals to the central computer. Only personnel who have been issued with a specially programmed and uniquely numbered microcard can use the terminal, but to others, the visual display terminal is rendered inoperable.

The microcard is a credit card-sized device which has an infra-red coding system, instead of the usual magnetic stripe.

Access control systems, especially in banking environments, can have extra security features built in to them, such as the need to insert a second card into a second terminal to allow the use of a restricted terminal.

While organisations may feel reasonably confident about internal security, data can be vulnerable from outside sources, such as when information is being transmitted around a network.

Technologists have come up with two major techniques to combat this threat—data encryption and authentication.

In its simplest for, encryption is a way of scrambling a message before transmission. To people tapping into the network the information is a meaningless jumble, since only a special key can decode the message.

Encryption is ideal for data transmission as a complex coding key can keep even a clever fraudster, using access to the most powerful computer, busy for weeks trying out the billions of possibilities. In some sectors of finance where time-sensitive information has limited value—a message has to be decoded quickly to be of any value.

Until recently, only large computer networks were powerful enough to handle the complex mathematical algorithms used in encryption. Now, some encryption techniques can be applied to personal computer systems. Stralfors Data Products, for example, has recently produced PS3, costing £90, for the pc market.

Most commercial encryption, systems such as PS3, are based on the Data Encryption Standard, DES, set by the US Government. Hal Communications at Farnborough has obtained a licence from the US Authorities. Another company, Winterhalter, has a system called Secure. This £800 facility is based on a printed circuit board containing encryption software which plugs into a personal computer.

The Communications Electronics Security group at GCHQ, Britain's high-security complex, has authorised this system for banking, commercial and military applications.

In the DES coding system, the same key is used for coding and decoding. However, some researchers have developed the asymmetrical system where there are different keys for this process, and this system is considered to be even more secure than the single key facility.

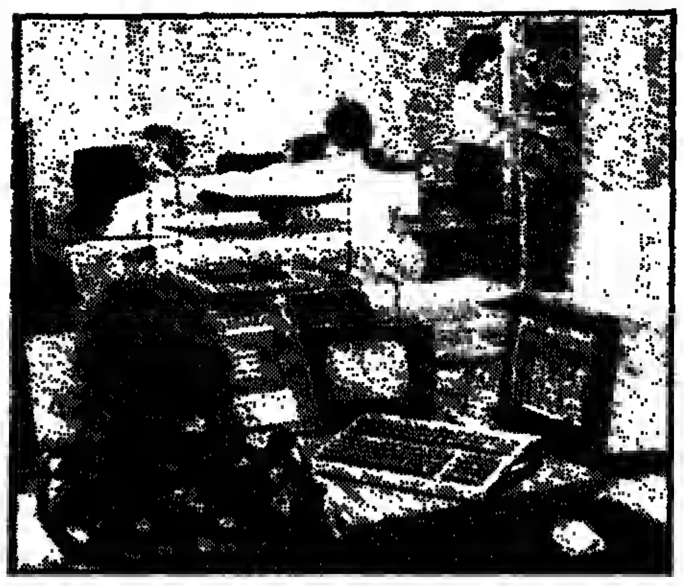
Along with encryption, authentication is another important data security tool. It is the means by which data being transmitted or received can be traced as it enters and leaves the network. Such facilities are a safeguard against fraudsters who may be interested in entering information about fictitious transactions to divert funds from bank accounts.

Authentication employs a number of techniques from "tagging" a banking transaction with the customer's name, date, account number and branch identification details. Such a message may have to come from a nominated terminal and a user with the correct password.

Encryption and authentication are both measures to be considered in the light of an organisation's business methods. In the banking world, commercial customers are demanding access to their accounts, held on bank computers, and the whole area of computer communications is growing.

As such computer access expands, so does the opportunity for abuse. There may arise the situation where the way one company classifies its information is totally at odds with another to which it transmits information. This could lead to a situation where sensitive and secret information, held on one computer, could also become available on other systems.

Thus, the entire area of network security has to be carefully considered when these systems are initially set up. Banks and financial institutions are turning to consultants such as Logica and Admiral Computing to consider potentially vulnerable areas of their networks and to outwit the fraudster who plans novel forms of crime.



A system to give an indisputable record of verbal transactions for City dealers: Dictaphone Veritrac equipment in use (at right in background) in the dealing room at Lloyds Bank foreign exchange unit. There are around 300 communication recording systems in the City alone.

Public-key encryption now a possibility

PUBLIC KEY encryption is sometimes seen as the solution to the growing demands for security in data transmission—particularly when the transmitted data is between financial institutions.

The concept was first developed in 1975 by two electrical engineers at Stanford University—and, like all the best ideas, is conceptually very simple. Two separate encryption keys are necessary; one to encode the message, and one to decipher it. The encryption key becomes public knowledge (and hence the name of the method), and can be published in directories: but the associated decryption key remains the private knowledge of the decoder or recipient.

Thus, to send a message from A to B, the sender need merely look-up B's encryption key, encrypt the message, and transmit it. From then on, only the decryption key will be able to decipher the message—and since this is known only to B, the message is, to all intents and purposes, safe from interception and decipherment.

But, while the concept is simple, the implementation is difficult—and, surprisingly enough, a world-lead in commercial public-key systems has been seized by a small UK company by the name of Business Simulations with a product called FAP4 (fast arithmetic processor, version 4). Although several major banks already use public-key cryptography, its wider use is being hampered by the huge amount of processing required by the system.

For sufficient security, encryption on 512-bit numbers is required (compare this to the more usual 16- or 32-bits processing, used by standard personal computers). Thus, a single encryption of 64 characters would take 45 seconds on a standard PC—or 1 second on a modified system full of expensive boards and complex circuitry.

The problem for the finance industry is that it cannot afford even the one second delay. Where millions of pounds can rest on a combination of total security and immediate action, public-key cryptography provides the security but not the immediacy. At least, that is how it was before Martin Kochanski (a mathematics and philosophy graduate of Oxford) turned his attention to the problem.

Kochanski first became interested in the theory of cryptography as a means of mental relaxation. In the past few years he began working on the problems of public-key crytography. The result is a board-based specialised processor that can be used by systems people to develop specialised cryptosystems—or it can be included directly into an IBM or IBM-compatible PC.

This product, the FAP4, handles its arithmetic in "slices," with each of a series of chips processing a 32-bit slice of the complete number. The result is considerable flexibility in the finished product. For 512 bits, 16 chips are needed; but up to 32 chips can be put together to provide an array able to process 1,024 bits for even greater security.

Alternatively, eight chips could be used to provide what is still a very high level of security (256 bit processing) but at four times the speed of the 32 chip array. This speed, incidentally, is able to process 64 characters (taking, you will recall, the PC on its own something like 45 seconds to encrypt), a mere tenth of one second.

With boards like the FAP4 available to standard PCs, the complexities and advantages of public-key encryption become a realistic possibility for the financial market. With local area networks becoming increasingly important to the City, something must be done to ensure the integrity of the electronic information moving with increasing speed around and between major financial institutions. Public-key encryption is now a realistic possibility.

Kevin Townsend

Network management equipment from Racal-Milgo. The system (CMS-385) can control and maintain the largest international data networks from one central point.

How computers are cutting back the paper-chase

DOCUMENT PROCESSING

With the volume of cheques now in circulation, there is a growing market for computer-based devices for cheque-reading, sorting and storing. Kevin Townsend looks at the latest developments.

THE PAPERLESS office was long-predicted by purveyors of high technology. But the computer, that proposed harbinger of electronic messaging, proved to generate ever more paper—and often create still more problems that could only be solved by buying another computer.

There is, however, one area in which a drastic reduction in the movement and processing of paper is not merely desirable and possible, but positively necessary. It is in the transportation, processing and manipulation of the standard and ubiquitous formal notification of a financial transaction: the cheque.

The mere statistics of cheque movement (many millions of cheques circulating at any one time, with a face value of anything between one and millions of pounds), provide a phenomenal problem. But to complicate matters, it is a problem that becomes worse, rather than better. It is not merely that existing manual methods are costly and labour-intensive, but that the continuing rise in volumes threatens to make these methods simply unworkable.

The solution is to use computer technology to solve the problem that computers have, to a large degree, exacerbated over the last decade.

The answer is computer-based cheque-reading, sorting, storing and data transmission devices. It is by no means a small market. Such devices could be distributed in every one of all of the clearing banks' regional branches, leading towards the banking approach, known as truncation.

In this system cheques paid in over the counter at a bank branch are retained at that branch and not physically sent through the bank's clearing systems. It is a form of decentralisation—and it makes interesting speculation to wonder where decentralisation might end.

However, it is worth noting that large computer companies are taking an increasing interest in this particular market. Burroughs is probably the UK's market leader (although this could be contested by NCR, since both companies have around 40 per cent). Other European manufacturers include Alcatel—and, perhaps more importantly, IBM in West Germany. Indeed, it is known that two years ago IBM commissioned a leading market researcher to investigate the entire document-processing market.

The current world leader in such document processing systems is, nevertheless, Burroughs. Until only two or three years ago Burroughs viewed the UK market for document-processing as residing solely in the banking world.

However, the automation of remittance processing within public utilities, mail order houses and large commercial firms indicates the possibility of a much wider application—and insurance companies, such as British Reserve, have found it cost-effective to follow suit.

The decision by a number of building societies to issue cheque accounts has made it in their interest not only to use cheque encoders but also to investigate the use of reader-sorters.

So, not only is cheque usage increasing within traditional banking activities, but also by these new operators in the financial services market.

Whether one considers the current volume of cheques or some reasonable projection for the future, the simple fact is that there is and will be, a vast number of transactions to be listed and proved, encoded, and captured and transmitted with the paper finally transported, sorted and stamped.

Finally, the document image will need to be captured in a convenient and economic manner, with some associated means of swift retrieval.

Some of these features cannot easily be handled other than by traditional methods. Some, given inter-bank agreement and changes in the law, could conceivably be handled more cost effectively given the right technology at the right price.

For more than 25 years, Burroughs has now been producing desk-top encoders to meet the need for a system at bank branch level in order to encode documents at the point of entry into the banking system. While the functions have not changed, the solution has. Systems have become more compact; they have greater flexibility, are easier to operate, and have come down drastically in price by 50 per cent.

Burroughs is now convinced that technology has reached the limit of the speed at which such devices can handle cheques and fulfil the required functions. It is for this reason that current developments are now aimed at making reader-sorters more cost effective by reducing computer/host dependence.

This reduces the capital investment at given reader/sorter sites and permits the manufacturer to offer solutions based on multiple remote sites, communicating with, but not driven by, centralised host systems—an important enhancement to what is still a traditional solution to a traditional problem.

In response to the stated requirement of several UK banks, Burroughs invested two and a half years and millions of pounds in the research, design and manufacture of a device that can bring the complete document processing system down to bank-branch level.

The SWIFT Network

Banking's unifying force

SWIFT, the international electronic message service for banks, is now going through a major overall. The system is close to full capacity and the organisation is investing in new telecommunications to speed messages faster around the world. It is the first major upgrade since SWIFT, the Society for Worldwide Interbank Financial Telecommunications, electronic messaging system, was founded nine years ago.

SWIFT has become a unifying force in the banking world. More than 1,400 banks are members. Each day about 750,000 messages fly across the network, which has the capacity to handle more than a million messages a day and more than 50 per cent of their business comes from only 50 banks. Message transmission represents about 80 per cent of the society's total revenue.

In many respects, SWIFT has become a unifying force in the banking world. It has forced banks to standardise their banking procedures so that each bank uses the same format for similar services.

SWIFT II, as the improved network is called, has not been a straightforward development. It has suffered some technical set-backs and is still undergoing testing and is likely to be at least six months late in 'going live.' Mr Jacques Cerveau, SWIFT's general manager of operations, explained at a recent SICOB conference that the organisation was not happy with the first results of the integration testing.

The project is a complex one. SWIFT II is not an expanded version of SWIFT I. More than 400 software programs have been written for the new service with more than double the lines of computer coding.

The organisation has built a new operating centre in the Netherlands and the existing U.S centre has been upgraded to cope with the new services. Coupled with that all the regional centres around the world are now being prepared for the change.

SWIFT has also invested in a number of new telecommunications links including a satellite earthstation now operating at Culpepper. Several telecommunications circuits capable of transferring information at a rate of 64,000 computer bits a second are also being installed.

Once the testing is completed, SWIFT II will be implemented in West Germany, Switzerland and the Netherlands—major users of the banking message system. Mr Cervean explains that choosing large customers was not a sign of over-confidence.

"We could run small countries successfully for months and still be faced with problems when starting to transfer the traffic load of major user countries," he explains.

In the article below, Elizabeth Sowton reports from SIBOS on the technical snags which are holding up SWIFT II.

Elaine Williams

Each day some 750,000 messages fly around the SWIFT system. More than 1,400 banks are members. Seen above is the London office of Bank of America.

Software snags hit changeover

SENIOR executives of SWIFT, the Society for Worldwide Interbank Financial Telecommunication, were admitting at the recent annual SWIFT users' conference "real disappointment" that the upgraded message carrying network, SWIFT II, would once again fail to meet its deadline.

SWIFT II, which has already been put back by a year because key parts of the software for the system were not ready, will now not make the rescheduled cutover date of March 1987, when the Society's 1,300 members were due to switch from the existing network, SWIFT I, to the upgraded system.

Start-up time, says Bessel Kok, the general manager and chief executive officer, will be "somewhere around Fall, 1987," although he promises a more precise date next year "when the software will be handed over for acceptance."

The reasons for the delay lie once again with the software, and the tricky problem of integrating the network architecture with the internal system software. Hardware for SWIFT II is already being installed.

"Work on integration testing has not gone as quickly as we expected," comments Peter Drummond, vice-president of SWIFT, "and the results have not been as good as they need to be." He likens the dilemma to that of composing a jigsaw—some of the pieces are not fitting properly.

The upgraded network is needed because the upper ceiling on the volume of messages is rapidly being approached on the old network. In September 1977, for instance, 400,000 messages were handled; today the quantity would be handled in half a day—an average of 800,000 messages are processed daily.

SWIFT II is designed to handle one and a half million messages a day to start with, expanding capacity as required.

Since the structure of the system is modular, extra processing power can be added without any architectural modifications. SWIFT II will use data processing and telecommunications technology built to OSI/ISO specifications.

THE MARK TWO SYSTEM

The tricky problem of integrating the network architecture with the internal system software means that Swift 11 will miss its rescheduled introduction date of March 1987 and not come into operation before autumn next year

SWIFT's management have already put into action contingency plans to cope with increasing volumes until SWIFT II is operational.

"The SWIFT I network has an added sixth switch as a contingency measure allowing it to handle more than 1.1m messages a day or 30 per cent more traffic than we handle today," explained Bessel Kok. "So there is no reason to be concerned about capacity."

SWIFT has been working with Burroughs to develop SWIFT II, using the Burroughs network product BNA. Teething troubles with the new BNA architecture and particularly with its integration with SWIFT software are at the heart of the delay.

"We still have much to learn about BNA," says Jacques Cerveau, general manager, operations, "especially how to control it in a live environment."

But integration is gradually taking place, first in subsystems, then in nodes, regional processors, slice processors, gateways and system control processors.

"Once each node is performing to satisfaction," explains Cerveau, "we will proceed with the full network integration."

SWIFT is currently halfway through this integration process. The implementation strategy once the system is ready to start with the high volume countries, beginning with West Germany, Switzerland and the Netherlands. These countries will provide a real test for the new network.

"We could run small countries successfully for months and still be faced with problems when starting to transfer the traffic load of major user countries," says Jacques Cerveau.

The entire switchover of all member countries—80 in all—will take 23 months, presuming there are no major hitches.

"If the worst came to the worst," explains Cerveau, "we could move back bank connections from SWIFT II to SWIFT I and revert part of the traffic thanks to the reserve capacity available in the SWIFT I system."

Progress on SWIFT II was only one of the issues under discussion at SIBOS; competition was the other big topic. In a survey commissioned last year among user-banks, the society found that its members no longer perceive SWIFT to be in the forefront of technology innovation, although they gave the society an overall score of 80 per cent.

Competition from third party vendors and the privately-owned networks of some of the major banks is forcing the society to consider new types of services to retain its competitive edge. By January 1 1987, the organisation will be structured offering three different services.

The core service will be the message carrying network—"the lifeblood of SWIFT today and tomorrow," as Bessel Kok emphasises.

The second unit will be SWIFT Terminal Services, already highly successful, and finally, SWIFT Service Partners, an independently run and self-supporting company to allow SWIFT to explore routes it is unable to as a co-operative. These will include global risk management, artificial intelligence products and financial transactions in capital markets.

One or two projects are already under development, such as the ECU netting system which is being tested successfully on behalf of a group of European banks in conjunction with the Bank for International Settlements, which is doing the clearing.

A joint venture with I. P. Sharp Associates has resulted in STREAM, a Global Risk Management System, which is modular and combines the application software, telecommunication facilities and interface hardware to enable banks to manage risk—whether settlement, country, currency or credit—on an international basis.

The first foray into artificial intelligence is an AI-based telex reader which transforms free format telexes into SWIFT format and was developed along with Generale de Banque.

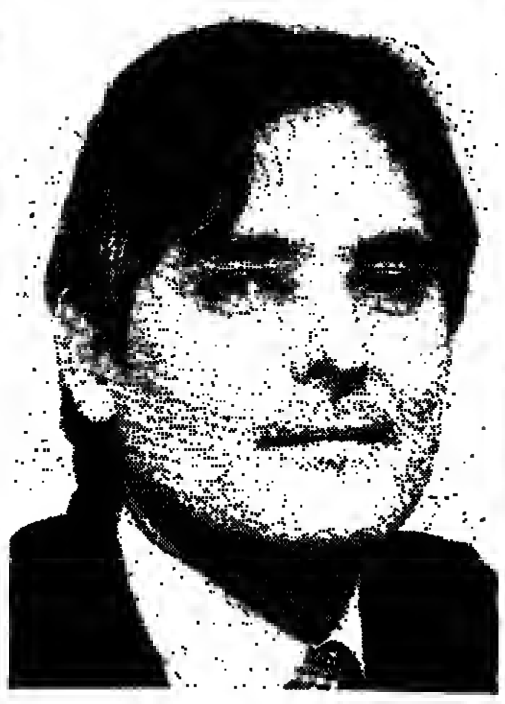
Elizabeth Sowton

Barclay's Bank London information centre

ARTIFICIAL INTELLIGENCE

In the development of artificial intelligence for the financial world, UK and European banks have a great deal of ground to catch up, compared to US developments, writes Jason Nisse

US projects are ahead by two years



Dr Nick Collin (left), consultant at Arthur Young and secretary of the Alfex club; and Ian Reid, chief consultant at Data Logic

WHEN THE Dow Jones Iodex fell a record 86.61 points in one day last mooth tha fall was amplified by program trading.

Computer programs in trading bouses spot discrepancles between the price of a stock and its underlying value in the futures contracts on the Standard & Poors 500 shares index. The program instructs the trader to sell the stock and buy its futures contract, which, io a falling market, is worth less, in a risk-free arbitrage deal. This amplifies the fall of the stock and, as the program is set for the whole of the Standard & Poors 500, the whole market falls.

These programs cootain no artificial intelligeoce (AI). The technology exists for AI programs that could spot such arbitrage possibilities in any futures contract on any exchange in the world, on the Financial Times—Stock Exchange 100 Share index, for example. And as the trade would probahly be made in Chicago (tha ceotre for futures trading), the program would spot arbitrage possibilities on a falling curreocy.

So, if there was a ruo on UK shares, an AI system in Chicago would apot the opportunity for a fast hnck aod amplify oot only the UK share slide, but also a run on sterling.

Fortunately nobody has sucb a system, hut the poteotial is there.

"I could put one together now if anybody wanted me to," says Mr Ian Reid, AI consultant at the British computer company, Data Logic.

"It would cost qolte a lot to build up a sufficiant database, hot compared to the amoont thet could be made, it's oot all that moch."

The profits are definitely there to be had. Morgan Stanley on Wall Street are rumonred to have made ao extra $1m out of an arhitrage spotting system it installed early this year.

An AI (or expert) system differs from a conventional compnter program because it emulates tha thought process of a hnman expert, building up a knowledge aod theo identifying aod extracting the relevant knowledge in a process called knowledge engineering.

The software needed for knowledge engineering is called ao inference engine. Some software companies have built so-called expert shells, which are ready-made infereoce eogines, but these teod to be too slow for dealing fuoctions, so the inference engioe is built from a fifth geoeration computer language, such as Prolog or Lisp.

"Ooce a way is foond to represent the knowledge, It is oo prohlem to add extra rules to the knowledge base," says Dr Mike Turner, AI consultaot at PA Communications and Telecommunicatioos. "However, the whole area of baving systems that are never actually finished is oot ooe that people are emotionally ready to accept."

Data Logic are probably et least a year ahead of most other UK companies in AI for dealing. It has installed AI programs in Midland Bank's treasury dealing rooms that track the bank's exposure in various markets, monitor movements in a basket of markets for their knock-on effects on other markets and predict exchange rate, commodities and stock movements.

This has given Midland a well-timed boost in the critical areas of swaps and currency options.

Data Logic has also installed an arbitrage spotting system for an unspecified bank with an agreement that the bank pays Data Logic a percentage of the extra profits made.

The next stage is to combine the market predictor system with the arbitrage spotting system, so that arbitrage opportunities can be predicted and the dealer is ready to take full advantage of them.

The predictor works in tandem with conventional prediction systems, such as regression analysis, charting or in-house economists. The system uses these sources to predict market movements, but also assesses them against actual past outcomes, weighting their predictions accordingly.

"With this system a had economist is as useful as a good one," says Mr Reid, "his predictions can be reversed to get the correct outcome. If a bank has a coosistently bad economist it should try to keep him, but not teU him he is bad in case he tries to improve himself."

Many software suppliers say they could have AI predictioo systems if they had the fuoding. Dealing Systems Limited (DSL) expect to soon start work oo an AI extension to their GEMMA dealers aid which they are currently installing at a leading money brokers.

A full AI system to predict bond, gilts and futures movements could be operatiooal by mid-1987. Systems Designers have developed AI applications for defence and industry and say they are at a stage to transfer those to dealiog. Helix Software are another company poised to take AI into dealing.

In the US, Arthur D. Little (ADL) are marketing an AI cash and equity trading system which it developed for a consortium of six Wall Street investment hanks. Bnt the consortiom fell apart at a critical stage, and ADL is looking for up to $3m to develop the system.

ADL has also prodoced a leading non-dealing AI prodoct, the Personal Equity Planning System. This provides financial advice for US middle income families, taking factors such as age, iocome, retirement and insurance oeeds, major purchases and lifetime goals (sic) ioto consideratioo to provide investmeot advice up to the age of 92.

There are many other AI products on the market, including a letter of credit processor produced by Helix Software and Bank of America, a telex reader, a system for stopping erroneous submissions to the Bankers Aotomated Clearing Service, a mortgage processor, currently under trial at the TSB and the National and Provincial Bnilding Society, a project investment advisor for companies and at least three fault diagnosis systems.

British banks have been rather reticaot in their commitment to AI, hnt their involvement in the Alfex (Alvey Financial Expert Systems) club, set up under the government's Alvey programme, has opened many eyes. The Alfex cloh will soon unveU its product, a company bealth assessor for the high technology retail sector.

The prodoct itself is of limited nse, hnt as Dr Nick Collin, coosultant at Arthur Young and secretary of the clob, points out, the involvement of 17 UK-based hanks in the project has made them more aware of the poteotial of AI in finance.

"A lot of important lessons have been learned during this project," says Dr Collin, "and for £20,000 each the members have seeo the costs and beoefits of developing a £500,000 expert system."

Bnt UK banks have a great deal of ground to catch up. Dr Turner at PA estimates that US banks are more than two years ahead in AI development, and unless European banks take a more aggressive aod less risk averse view of AI development, that is how he sees It remaining.

New mood of realism

CONTINUED FROM PAGE ONE

A RECENT study carried out in the US by Louis Harris & Associates for the management consultants, Coopers & Lybrand, indicates that only about one third of senior managers in the finance industries canvassed believed their technology specialists had an excellent appreciation of the needs of their organisation.

The technologists had become part of the high-level decision-making process, a significant change from earlier years, but, Louis Harris reported, they received only luke-warm praise from their financial colleagues. The report notes: "Most senior executives do not perceive their technology specialists to be outstanding in their ability to make recommendations that increase efficiency and reduce costs."

"Executives appeared to be particularly disappointed in their specialists' ability to recommend technology for developing new product and marketing opportunities."

The fact is that there is no technological answer yet to the finance industry's most pressing problem. This is the integration of customer files so that each piece of information about a customer, corporate or private, big or small, can be matched at the press of a key to every other bit of information so that a business profile of that customer can be drawn and used for marketing.

Banks, trusts, building societies—they all store massive amounts of information about their customers in "disk farms," large rooms in data centres filled with scores of disk drives, or in their tape file libraries.

But it is all stored in separate files using separate account numbers, the result of the Topsy-like growth of most banks' databases, and there is no simple way to relate the information held on one disk drive or tape to that held on another.

Powerful computing methods called "relational database" technologies already exist which make it possible to ask particularly searching questions—"Identify those farmers in the Worcester area who are both customers of the bank and likely to require a loan to buy new agricultural machinery this year," or "which of our customers could we interest in our new equity investment service?"

The problem is that for the sophisticated relational database software to do its work properly, the customer files must be set up appropriately in the first place. Conversion of all those files to provide a truly integrated customer database for relational database software to work on will probably be the banks' single biggest technical headache in the next decade.

The US banks, able and willing to spend large sums on information technology annually, have a slight, but only a slight, edge in the development of integrated customer files, according to research carried out by Nolan, Norton & Company, the management consultants.

It is all part of what Mr Richard Nolan describes as building the company's computer architecture strategic plan.

"Within the past few years," he wrote in a management newsletter, "members of senior management in a number of companies have discovered they may have a new strategic weapon—their computers."

He cited Merrill Lynch, which was quick to move into a computer niche left exposed by its competitors in establishing its Cash Management Account product, and Citibank's aggressive ATM strategy.

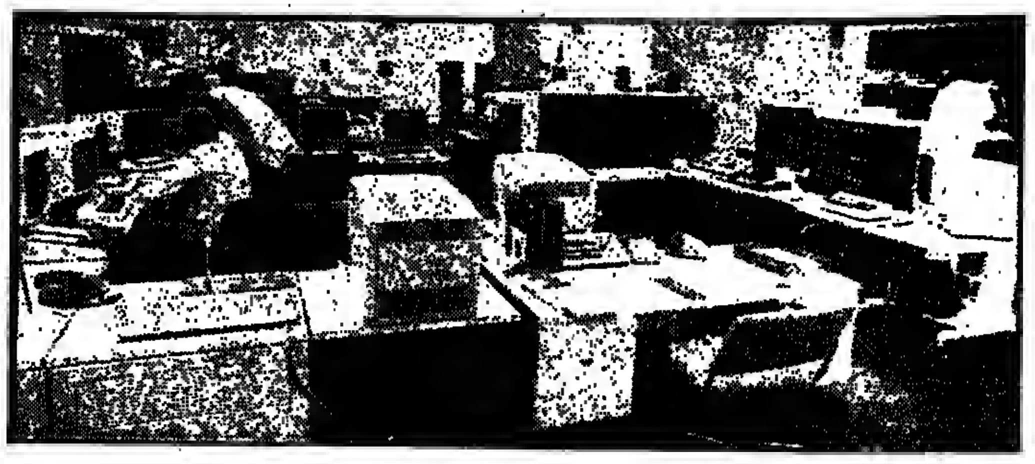
But if the financial institutions have difficulty defining their own commercial strategies based on information technology, the problems are multiplied when they are obliged to work together to exploit a particular service.

Technology can be a great leveller. Building society plans for a national shared network of ATMs fell through when the larger members realised they would be shouldering the greater part of the cost of a project which would give their smaller rivals a better chance of competing with them.

Somewhat similar difficulties lie at the heart of the interminable delays which have afflicted the UK national cashless shopping scheme. There are few genuine technical problems in any of these developments. The hardware and software is for the most part tried and tested. The techniques are well proven.

But perhaps for the first time, the top level of financial management is looking in business terms at the implications of implementing this well-tested technology and is not sure that it likes what it sees.

The Coopers & Lybrand study showed that as many as a quarter of the executives who were interviewed did not feel competent to make sound decisions on implementing technology, even if all the options were put before them. They are, however, confident of their own commercial judgment and the day when the technologists could have their way without a struggle has clearly gone forever.



The computer control centre at Lloyds Bank, London.

Netherlands

Gas riches have made the Netherlands one of the wealthiest countries in Europe, but too heavy a reliance is creating economic problems. Greater initiative in the private sector is being encouraged by the government to create structural changes.

Battle on to balance the budget

By Laura Raun
Amsterdam Correspondent

AUSTERITY is back. Sharply falling gas revenues and an increasingly expensive welfare system have forced the Netherlands Centre-Right Government to launch its second term in office with its toughest budget in three years.

The Dutch gave their tacit approval for more economic austerity when they awarded a surprise electoral victory last May to the governing Christian Democrats and their right-of-centre partners, the Liberals.

Mr Ruud Lubbers, the Christian Democrats Prime Minister, shrewdly chose to impose most of the painful but necessary measures now while enjoying the greatest popularity of any Dutch politician in the country's post-war history.

Although fiscal policies will ease somewhat after next year the Dutch eventually will need to make more profound adjustments to end what Mr H. Onno Ruding, the Finance Minister, calls the "gas addiction"

Petroguilders from the Netherlands' vast gas reserves have not only financed the country's lavish welfare system but also compensated for sluggish economic growth over the past decade. But the gas riches will probably never climb back to the levels of the past and will start running out in 30 years or so.

The unpleasant choice seems to be an even slimmer government and welfare system or persistently slow growth and high unemployment. More flexibility will be necessary in the private sector to keep the Netherlands competitive, especially with the stronger guilder.

Mr Lubbers underscored some of these changes when beginning his second term in July, in one of his most hard-hitting speeches to date. He declared: "The role of the government in our society is changing because people are becoming more independent and want to be more responsible for themselves and others. That is the fruits of the continuing democratisation and emancipation of the '60s which can lead to a more responsible and mature society."

With these words Mr Lubbers outlined the continuation of his three-track policy begun in 1982: trimming the budget deficit, reducing unemployment and shrinking the public sector.

"Let him Finish the Job" was the election slogan of the Centrist Christian Democrats during the political campaign leading up to the scheduled general elections in May. The voters agreed and handed record parliamentary gains to the Christian Democrats, who invited the Liberals to continue in another four-year term.

For the moment, the most immediate problems facing Mr Lubbers' second administration are balancing the budget and battling against stubbornly high unemployment. The state debt threatens to engulf national income by the turn of the century if more stringent measures are not taken and a whole generation of youth is growing up with no work experience.

Next year's budget will raise taxes for the first time since 1984 and actually cut government spending for the first time in 30 years in an effort to offset plunging gas revenue. Lower oil prices and the weaker dollar will slash gas receipts by more than half to only 7.2 per cent of all state income from 14.2 per cent this year.

However the tax increases fly in the face of the Lubbers administration's pledge of "Less government and more private sector." Income taxes and social-security contributions combined already are among the heaviest in the Organisation for Economic Co-operation and Development (OECD), accounting for 52 per cent of national income.

Mr Rudolf de Korte, Economics Minister and vice-premier, explains however, that the government could not compensate for the lost gas revenue solely by cutting outlays. "We couldn't reduce expenditure by Fl 12-13bn in one year," he insisted during a recent interview. "It is socially unacceptable."

So The Hague will claw back more than half of its lost gas income through Fl 6.6bn from increased taxes and Fl 5.4bn through spending cuts. The budget deficit will widen only slightly to 8.1 per cent of net national income (NNI) in 1987 and then is supposed to shrink to 5¼ per cent of NNI by 1990 under the coalition partners' governing accord. The two parties already agreed to keep chipping away at departmental budgets, the civil service apparatus, the health care system and the welfare system.

One of the very few areas in the 1987 budget to get extra money is the programmes to battle the country's unemployment, long one of the highest levels in the European Community. The jobless rate has not fallen below 14 per cent in five years and Mr Lubbers singled it out as the top priority of his second regime.

A wide array of factors are blamed for the persistently large number of unemployed, including high wages, labour market rigidities, demographic factors, mismatched skills and the black market. Unemployment among the young and the chronically jobless is especially worrisome.

Mr de Korte concedes that high wages plus the bloated public sector slowed economic growth in the 1970s and early 1980s, with the Netherlands posting the weakest expansion in the OECD between 1979 and 1984. The OECD has argued for years that more flexibility in the Dutch labour market would help spur growth, but with only limited results. Wage demands have moderated and unit production costs have eased somewhat in recent years but real wages still remain relatively high and erode the Netherlands' competitive position.

Dutch labour unions, for example, have managed to largely keep overtime, night and weekend work out of the Netherlands because they say it would interfere with their social lives.

For similar reasons, opening hours for shops in the Netherlands are among the shortest in Europe, limited to no more than 52 hours a week. Mrs Louise Groenman, a Democrats '66 member of parliament, has submitted a Bill that would give shopkeepers more flexibility in choosing when to open. But a couple of small-retailers' associations and trade unions oppose the Bill and parliament still seems divided.

High marginal tax rates also have a lot to do with Dutch workers' aversion to overtime. For many employees, one extra guilder of income means 30 cents of take-home pay and 70 cents in taxes and social-security premiums. For those with higher incomes, a salary rise can actually mean less take-home pay.

The heavy social-security premiums, which are among the highest in the OECD, must fall along with taxes if employees are to have more incentive to work flexible hours. But that will be difficult as The Hague is gradually shifting more of the financial burden for the cradle-to-grave welfare system to the premiums and away from direct government outlays.

Much has been made of the cutbacks in welfare benefits but payments actually will have been pared by only 7½ per cent by next year compared with 1983. The combined tax and social-security burden, meanwhile, has slipped only a bit from 55 per cent of NNI three years ago.

Another looming threat for the social security system is the rapidly growing numbers of elderly people many of whom can no longer care for themselves. A highly-emotional debate is gathering force over who should care for the elderly—the government or families.

A recent government commission recommended that family members and friends take a more active role in providing for the elderly because public finances already were stretched to the limit. But critics argued vehemently that many pensioners could fall through the gaps in the system if their care were left to private individuals.

"These changes will call for extra resources," Queen Beatrix cautioned in her speech. "Both in terms of finance and in terms of solidarity among people."

Perhaps one of the most illustrative examples of the debate about the caretaker state versus private initiative is that of broadcasting. The Dutch broadcasting system is strictly non-commercial, tightly controlled by The Hague and organised along the lines of the "Zuilen," the political and religious divisions that dominate Dutch society.

The Hague and many established broadcasters are fighting strenuously to keep commercial broadcasting out of the Netherlands, contending that the pluralistic "Zuilen" represented on the airwaves would be destroyed. But a few intrepid voices are arguing that commercial broadcasting would give more freedom to broadcasters and viewers alike and perhaps recapture some of the advertising revenue lost to foreign programmes beamed into the Netherlands.

Paternalism dies hard in a country that has relied on central control for as long as the Netherlands. But more individual responsibility may be the only way to avoid a decline in the high standard of living.

CONTENTS

Ashley Ashwood

Above: Work on integrated circuits at Philips' research and development centre at Eindhoven. Top right: Trading floor of the Amsterdam stock exchange and (right) street flower seller in Amsterdam.

Economy

Forecast of meagre expansion

LONG AN economic laggard of Western Europe, the Netherlands is suffering a fresb drag on its growth: low energy prices. As a major energy producer, the Netherlands has been hit by cbeap eil and gas and the weak dollar. industrial activity is flat and government revenue from natural gas is plunging.

The Central Plan Bureau is predicting that national income growth will fall sharply from 2½ per cent to 1½ per cent next year, one of the slowest retes in the European Community. But many observers say the semi-independent plan bureau is being too optimistic, with the Organisation for Economic Co-operatioo and Development (OECD) forecasting a meagre ¾ per cent expansion next year.

The Hague is clawing back more than balf of its lost gas revenue through higher taxes next year, erasing part of the economic boost that could come from lower fuel costs. The business community, in particular, complains that the Centre-Right government is reneging on its promise to foster tha private sector in nu effort to promote growth.

Mr Rudolf de Korte, the new Economics Minister and vice premier, vigorously defends the Christian Democrat-Liberal government's decision to raise taxes in an effort to keep the budget deficit under control. Formerly the Liberal Party's financial specialist in parliament, Mr da Korte was appointed Economics Minister and vice premier last July when the second administration of Prime Minister Ruud Lubbers began.

"The government was the big loser as a result of the energy price fall while the burgers and business have profited," Mr de Korte explained during a recent interview.

The Hague's coffers are suffering, no doubt. Gas revenue, which now accounts for 14 per cent of all state income, will plummet by more than half next year to 7.2 per cent. But whether business and burgers will profit is less clear. Expansion in industrial production will hardly accelerate next year, edging up only to 2¼ per cent from 2 per cent this year and last. The rise in business investment will drap by half to 4½ per cent in 1987 from this year. And consumer spending growth will decline to 2½ per cent next year from 3 per cent this year.

The 1987 budget is the toughest in three years, with taxes rising for the first time since 1984 and government outlays actually falling for the first time in 30 years. A total of Fl 6.6bn will be raised through tax increases and another Fl 5.6bn will be saved through spending cuts in a bid to keep the budget deficit at 8.1 per cent of net national income (NNI) next year. That would be only slightly bigger than this year's deficit of 7.3 per cent despite the revenue fall-off.

The business community claims this flies in the face of the Lubbers government's pledge to create favourabla conditions for industry. Steeper corporate taxes next year will more than offset tax breaks over the past four years, says the VNO employers association, tha largest sucb industry group.

Mr de Korte, whose Liberal Party consistently backs business, insists that the Lubbers government remains committed to industrial growth and will lower taxes again wben oil recovers to Fl 60 ($26) a barrel. "Our policy is firm: less government and more private sector."

In defence of its 1987 bndget, The Hagua is quick to point ont that it expects disposable incomes to climb 3 per cent next year, continning the bealthy recovery of this year. But half of that climb is to come from a 1½ per cent fall in prices, according to the Central Plan Bureau, a figure that widely disputed. Most economists see prices remaining flat rather than actually declining—which would be deflation—because wages are not expected to diminish in line with other costs and taxes are rising.

Slow growth—the lowest in the OECD between 1979 and 1984—has exacerbated another weakness of the Dutch economy—high unemployment. Economic expansion has failed to create enough new jobs to keep up with the rapidly-rising number of job seekers with the result that the unemployment rate has stayed above 13 per cent for the last five years.

Mr Lubbers, on launching his second term in office, declared that fighting unemployment was his number one priority. Job creation programmes are one of the very few areas in 1987 to get extra money, with funds earmarked for a youth job-guarantee scheme and fulfillment of a national labour accord. Under the recent policy-setting accord, the government, employers and employees agreed to aim to reduce the number of unemployed to 500,000 by the year 2000.

But little improvement is expected next year when the jobless rate is forecast to fall only to 670,000, or 13.8 per cent, from 696,000, or 14.3 per cent, now. A plethora of reasons have been cited over the years for the Netherlands' stubborn unemployment problem: high wages, narrow wage differences, bureaucratic dismissal procedures and generons unemployment benefits eqnal to the minimum wage are among the foremost.

A mushrooming problem is a mismatcb between labour skills and nvailnble work, with many of the job openings requiring better skills and education than what is available among many employed as well as unemployed. Black market jobs also help keep the official jobless rete high.

Still another factor is a demographic one. The Dutch birth rate continued high much longer than most other western European countries so the baby-boomers trying to enter the workforce are lasting longer. More women are flooding into the labour supply than elsewhere because fewer women worked outside the home than nearly anywhere in Europe.

Mr de Korte conceded that relatively high wages and a bloated public sector were the main reasons that economic growth was so sluggish in the 1970s and early 1980s. "Wages are still too high," he admits.

In recent years wage demands have moderated and unit production costs have shrunk somewhat, helping the Dutch to improve their international competitive position. But wages are sticky, refusing to fall even in times of deflation, and so they remain too high.

Extremely high social-security contributions and taxes tend to underpin wages since employees often take home only half or less of their paycheck after deductions. The combined burden of taxes and social-security premiums has edged fractionally lower in recent years but there seems to be little room for further declines because of shrinking gas revenues. The lavish cradle-to-grave welfare system that bas been built on gas riches over the past 30 years will be financed more and more through social-security premiums instead of taxes but the end result is little different.

As long as heavy taxes and premiums are used to pay for the costly welfare system, it seems difficult to carry out the Lubbers administration's policy of less government and more private sector activity. But Mr de Korte explains the apparent contradiction by saying that "Dutcb soclaty is prepared to carry a higher burden for the public sector than the average level in the EEC."

The public sector actnally has shrunk only a bit during the past four years despite some painful austerity measures, falling from 71 per cent of NNI in 1982 to 67 per cent this year. That is still one of the biggest public sectors in the OECD despite cuts in departmental budget, civil servants' pay, bealth care and the welfare system. The budget deficit, too, has been pared to 8 per cent of NNI from 11 per cent wben the Centre-Right government entered office in 1982.

Government debt, however, has continned to balloon to one of the largest amounts in relation to national income in Europe, surpassed only by Belgium, Italy and Eire. Mr H. Onno Ruding, the hard-line Finance Minister, has warned loud and long that the state debt could exceed national income by the turn of the century if retrenchment measures are not continued.

Mr Ruding has sharply criticised the decision to use most of the gas riches over the past three decades for day-to-day operations, mostly for welfare benefits, instead of for structural improvement of the budget. Other energy-producing countries such as the UK and Norway have used their oil and gas wealth to improve their public finances, he chides.

It seems virtually certain that the Dutch will have to decide—sooner or later—whether they want to go on paying stultifyingly high social-security premiums and taxes to finance a generous welfare system and bloated public sector. If not they risk losing the comfortable standard of living to which most Dutch people have become quite accustomed.

Laura Raun

Economic indicators

	1986	1987
Real national income	+2.5%	−1.5%
Inflation	0	−1.5%
Real disposable income	+3%	+3%
Balance of payments surplus (Fl bn)	17	13
Average oil price ($ per barrel)	14	15.50
Unemployment	710,000 (approx 14.6%)	670,000
Industrial production	+2%	+2.25%

Energy

Seeking alternatives to gas and oil

AFTER 25 YEARS of dapendence on gas and oil for the bulk of its energy needs the Netherlands is beginning to think seriously abont alternatives.

It is true that tha Soviet nnclear disaster at Cbernobyl has thrown into confusion ambitions plans to increase tha contribntion of nuclear power and may mean n greater role for coal. Bnt tha Dutch are seeking to rednce the relative contribntion of gas and oil.

The country's extensive gas reserves will continue to meet expected demand until well into the next century. But after more than a decade of dabate nbout nuclear energy tha government had declared itself willing to bring more nuclear power stations in to use.

This was despite tha outcome of a nationwide opinion-sounding exercise — carried out before the Soviet disaster — which showed that most of the population was against the immediate construction of new nuclear power stations.

The spread of radioactivity from tha Soviet plant nt Chernobyl has forced the government to delay the nnclear programme — possibly for several years — until the results of an official report are ready and further discussion has taken place.

The electricity companies have closed the nuclear construction bureau that was to have invited bids for the new reactors.

Before Chernobyl the Centre-Right government of Prime Minister Ruud Lubbers had boped to bave nt least two more nuclear power plants in use by the mid-1990s, providing between 2,000 and 4,000 MW of power.

The aim was for nuclear power to provide 41 per cent of all publicly-prodnced electricity, followed by coal supplying 40 per cent and oil and gas with n combined 19 per cent by the year 2000. At present oil and gas account for 71 per cent of electricity generation, coal for 22 per cent and nuclear power for just 7 per cent.

The government wants to achieve a more evenly-balanced range of energy sources; cbeaper alectricity which is less dependent oo the price of oil; and boost the Dutcb economy by placing construction orders for the new plant in the Netherlands.

While coal plays an important part in this energy programme it is more expensive than nnclear power — 10.4 cents per Kwb compared with 8.7 ceots for nuclear — and it leads to air pollution.

The steering gronp whicb organised the wide-ranging poblic opinion sounding on energy policy reported its findings in January 1984.

It recommended the maximum use of replaceable energy resources sucb as wind power; the use of combined electricity and best generation; a reduction in the use of oil; the building of new coal-fired plant if gas emissions could be more tightly controlled; bnt no immediate decision on nuclear plant.

The government consulted various representative bodies in the energy industry and concluded that additional generating capacity would be needed before the end of the century.

Adopting the findings of the public debate would have led to unacceptable delays, the government said. It also felt that public opinion had not taken into account tha relative costs of the different energy sources.

The government calculated it would need at least 15,500 MW of generating capacity by the year 2000. Allowing for obsolete plant being taken out of prodnction and n small contribution from sources such as wind and combined electricity, and heat generating plant, it faced a shortfall of at least 7,490 MW.

Ironically, the decision to give priority to nuclear energy was based partly on official advice that the effect of a serious accident in a nuclear plant would be mnch less dramatic than previously thought. This view is being reassessed post-Cbernobyl.

Apart from a small experimental reactor at Dodewaard, near Nijmegen, the Netherlands currently only has one nuclear plant — at Borssele in Zeeland, with a capacity of 450 MW. Last year, after more than a decade of debate, Parliament approved Government plans to build two or more nuclear plants.

A move towards the greater use of nuclear power should allow electricity costs to fall. Belgium derives 46 per cent of its electricity from nuclear power while in Germany the figure is 18 per cent.

As part of its efforts to achieve more efficient production of alectricity the Government is simplifying the present fragmented structure of the producing companies. The 16 provincial and municipal companies will be reduced to between three and five generating companies. This will give the Government greater influence over pricing policy and should prodnce more uniform tariffs.

Despite the attraction of wind energy for a country so closely associated abroad with the windmill this and other renewable sources of energy will have only a small part to play this century.

The Dutch are nevertheless developing wind turbines with a capacity of 3 MW and as mnch as 1,000 MW of capacity could be installed by the end of the century.

The uncertain nature of wind power would mean, however, that only 200 MW could be guaranteed and counted towards the national energy supply. Work is going on into ways of storing of wind-produced energy to even out the irregularity of supply.

After spending mncb of the 1970s hoarding their gas reserves the Dutch reversed their policies in the early 1980s. Proven reserves were larger than expected while demand was depressed by tha economic recession.

Pressure on the balance of payments persuaded the government that it should hold on to its gas export markets rather than let existing contracts lapse.

Contracts with other West European countries were renewed—on rather different terms—and will now continue well into the next century.

Under the latest gas marketing plan prepared by the Nederlandse Gasunie, the national gas distribution company, exports will comprise just over 600bn cu metres of the 1,533bn to be sold in the period 1986-2011.

Domestic consumption in the Netherlands will account for about 500bn cu metres while indostry and power stations will take about 400bn.

This compares with the latest estimates of availabla reserves of 2,200bn cu metres, inclnding 45bn of imports contracted from Norway.

The Netherlands has extended its existing contracts but reduced the flexibility for customers to adjust volnmes. The original deals struck 20 years ago allowed customers to take np between 70 and 170 per cent of the contracted volume at any one time to meet peaks and troughs in demand.

Other gas exporters bad mncb narrower bands which meant in effect that the Dutch supplied all the flexibility to tha European market, says Mr Ton Grotens, managing director of Gasunie.

Tha Dutch have now reduced flexibility to between 90 and 110 per cent of contracted volumes, under normal circumstances.

The Dutch have also modified the price structure of export contracts. The gas price is now indexed to a combination of fuel oil and domestic heating oil. Previously fuel oil alone was used as a basis for the index.

Exploration companies are continning to make small but worthwhile discoveries both on and offshore in the Dutch sector of the North Sea. This allows the preservation of the massive Slochteren field as a strategic reserve.

It will also help guarantee Dutch energy independence into the next century, particularly if tha nuclear programme is subject to lengthy delays.

Charles Batchelor

Dutch energy consumption

(millions of tonnes of oil equivalent)

	1984	1985	Percentage 1984-85
Hard coal	6.6	6.4	−0.1
Lignite	0.0	0.1	
Crude oil	21.4	19.8	−7.5
Natural gas	30.8	32.3	+4.9
Nuclear	0.9	1.0	+11.1
Primary electricity	0.4	0.6	+50.0

Source: Eurostat

Politics

Elections keep pendulum towards the Right

AS EUROPEAN politics have taken on a conservative air in recent years so have Dutch politics. Last May's general elections gave an overwhelming vote of confidence to Mr Ruud Lubbers, the Christian Democratic Prime Minister, and his Centre-Right government in direct defiance of public opinion polls.

Many had thought the political pendulum might swing back to the Left after four years of economic austerity and governmental shrinkage but the voters gave record parliamentary gains to the Christian Democrats.

While the Christian Democrats are indeed a middle-of-the-road party they had voiced their preference for continuing to govern with their Right-of-Centre partners, the Liberals. Never before had the Christian Democrats publicly announced a favourite before election day.

Even though the pro-business Liberals lost a sizable nine seats in the 150-seat parliament, the Christian Democrats picked up nine and the coalition maintained its ruling majority.

Equally significant is the opposition Labour Party's failure to make the hefty gains that were widely forecast. The Socialists actually were surpassed as the largest party by the Christian Democrats and now face a possible stretch of eight years outside government.

Small Left-wing parties lost heavily, dropping to only three parliamentary seats from nine as the Communist Party disappeared entirely. Since claiming seven seats in 1972 the Communists have dwindled and their floor leader, Miss Ina Brouwer, accused the Labour Party of siphoning votes from the far-Left parties.

None of this is to suggest that the Netherlands has lost its long tradition of progressive democracy. Liberalism, tolerance and humanism still heavily colour Dutch politics. But a fresh pragmatism has evolved from the disappointment over ideological experiments in the 1970s such as the "New Left" and from the harsh realities of an increasingly bloated government.

More practical politics apparently played a role in the parliamentary demise of three fringe parties, including the paradoxically-named Centre Party which is an ultra Right-wing group espousing racist and nationalist ideas. Nine political parties remain in parliament, reflecting the pluralistic diversity that requires that all Dutch governments be coalitions.

Clearest winner in the scheduled elections in May was the Christian Democratic Party, an amalgamation of two Protestant parties and one Roman Catholic. The Christian Democratic Appeal as it is officially known, or its forerunners, has participated in every post-war government, leaning to the Left or the Right as the case may be.

Still a young party that was formed only a decade ago, the Christian Democrats became the largest parliamentary party in Dutch history with 54 seats. The nine-seat gain was acclaimed as a sure sign that the party finally had melded together the three groups after years of discord. It was splits among the Christian Democrats reflecting public opposition that delayed the Dutch decision to deploy cruise missiles.

The Christian Democrats have been faulted for taking on the Right-wing tendencies of their Liberal partners in line with traditional criticism of being a chameleon-like party. But the election outcome has now put the Christian Democrats more than ever in the driver's seat, adding one Cabinet post as the Liberals lost one. The Christian Democrats now hold nine portfolios to the Liberals' five.

The Liberals, whose roots lay in the 19th century movement to create a parliamentary democracy, are now licking their wounds from the election and the party is in some turmoil. Mr Ed Nijpels, the young and brash parliamentary leader of the Liberals, was ousted from the party leadership although he captured a Cabinet post as environment minister.

Confusion surrounds his successor, with loyalties divided between Mr Rudolf de Korte, the vice-premier and Economics Minister, and Mr Joris Voorhoeve, an MP.

The Liberals are rebelling against what they view as Christian Democratic efforts to push them into Right-wing fanaticism. Economic austerity and defence spending, for example, are issues where the Liberals have taken much of the heat for administration policies. But the party is showing signs of wanting to return to more traditional Liberal issues such as good schools, sexual equality and commercial broadcasting.

Political parties in parliament

	1982	1986
Christian Democrat	45	54
Labour Party	47	52
Liberal Party	36	27
Democrats '66	6	9
Small Right parties	7	5
Small Left parties	9	3
Total	150	150

During the formation of the governing accord that binds together the coalition parties for the coming four years, Prime Minister Lubbers warned against abuse of the junior partner Liberals because of their severe losses. For the moment the marriage seems healthy enough but some tensions always exist in political alliances.

Among the most likely issues on which cracks could appear are the so-called "intangible" ones such as euthanasia, broadcasting and equal treatment among the sexes.

If the marriage were to end in divorce the opposition Labour Party would be only too willing to step in with the Christian Democrats. A new parliamentary leader for the socialists, Mr Wim Kok, has taken over from Mr Joop den Uyl, the veteran Labour Party leader who ruled for two decades.

Mr Kok, a newcomer to politics from the world of organised labour, is viewed as far more pragmatic than Mr den Uyl, a fiery ideologue who has been blamed for the disappointing performance in the elections.

Having been out of power for eight of the past nine years, the Socialists are engaging in some serious soul searching. Efforts to broaden their support beyond the traditional ranks of union members, lower-income groups and socially-minded intellectuals have fallen short in recent years.

Ruud Lubbers: his Christian Democrats now hold nine Cabinet portfolios to the Liberals' five

Hard-liners say that nothing more than a fresh image with more openness is needed but progressive elements are arguing for new policies that are more flexible and less isolating. Nuclear missiles, nuclear power and public finances are likely areas.

Mr Kok has yet to show a firm lead in the current maelstrom although he is still relatively new in the job. But political observers already are warning that if Mr Kok fails to seize the initiative now the party is likely to remain saddled with rigid policies and narrow public support.

The fourth largest political party, the Democrats '66, rebounded somewhat in May from their embarrassing losses in the 1982 election. The slightly Left-of-centre party which grew out of the Provo movement of the 1960s was buoyed by the return of a founding father, Mr Hans van Mierlo, an intellectual who had retired from the party after helping to launch it.

But Democrats '66 failed to make the kind of parliamentary gains that would have put them into a ruling coalition as they were in the early 1980s. An eclectic party, Democrats '66 still suffers from a vague image that leaves many voters puzzling over just what they stand for.

The small parties on the far Right and far Left have sporadically discussed mergers over the years but seemed to have gained no momentum since the damaging elections. Three parties remain on the far Left and five on the far Right but they seem to value their role as gadflies for the mainstream parties more than size. Besides, the Dutch would worry over a loss of democracy if too many parties consolidated.

Laura Raun

Pushed to the forefront

Profile

Wim Kok

WIM KOK, leader since July of the Dutch Labour Party, has one of those splendidly straightforward Dutch names which seem to express the directness and lack of pretensions of the national character. The man lives up to the image.

A tall, loose-limbed figure, he approaches the challenge of wresting power from the present Centre Right government of Prime Minister Ruud Lubbers with the same pragmatism that took him to the top of the Dutch trade union movement. The contrast with the fiery and impassioned style of his predecessor, Mr Joop den Uyl, could not be more striking.

Explaining his move from a trading company to a research job with the construction union in the early 1960s, Mr Kok said in a recent magazine interview: "At the trading house I spent my days phoning round to find the cheapest tins of green beans in Holland which could be sold for the highest price in Asia. I didn't move to the union out of a passion for the principles of socialism. I was bored stiff with green beans; the union was all about people."

Of Mr Kok's effectiveness as a union leader there can be no doubt. Appointed the youngest chairman of the Socialist Union Federation (NVV) at the age of 35 in 1973, he headed the merged Netherlands Trade Union Federation (FNV) throughout a turbulent decade until he stepped down in September 1985.

No serious challenge to his leadership emerged during those years, which saw the two oil "shocks" and the growing realisation that the country's generous welfare system constructed in the 1960s and early 1970s would have to be trimmed. Despite several years of cutbacks the Dutch still enjoy a standard of living to be envied.

For all his long experience of union affairs Mr Kok came to politics as a newcomer at the age of 47. He might have expected several years on the back benches to learn the ropes, but Labour's failure to gain a share of government power in last May's elections led to the resignation of Mr Den Uyl after more than 20 years.

Mr Kok was thrust, after only a few months, into the role of party leader. His maiden speech in Parliament formed the Labour party's response to the policy statement with which the ruling Centre Right government outlined its policies for its second term.

It is no small tribute to the reputation Mr Kok built up in his union years that his party was willing to push him to the fore, despite the shortness of his political experience. He was chosen in preference to other prominent party figures such as Mr André van der Louw, a former mayor of Rotterdam.

Mr Kok was born in 1938, the son of a carpenter, in the small village of Bergambacht not far from Rotterdam.

An avid reader during his schooldays, the young Kok developed a particular enthusiasm for the naturalistic novels of the 19th century French writer Emile Zola. Reading opened a wider world beyond the quiet village on the polder.

His early views were also strongly formed by the political views of his father, who was treasurer of the local section of the building workers' union and a committee member of the Labour Party.

From these Socialist roots it is perhaps surprising that he opted to go to the Nijenrode business school near Amsterdam. He explains the paradox, saying that the subjects at Nijenrode, particularly the emphasis on foreign languages, appeared to him to provide a passport to the outside world.

Wim Kok: sober approach

His early ambition was to become a foreign correspondent in Paris or London. But after completing his studies and his obligatory military service he went to the trading company in Amsterdam and the business of green beans.

Despite the economic uncertainties created by the two sharp oil price increases in the 1970s and pressure from some of the more extreme union members for unofficial trade union action, Mr Kok upheld the moderate tradition of unionism in the Netherlands. At the same time he maintained a high standard of living for most of his members.

He lists two significant achievements in his 12 years at the head of the union movement. They are the merger between the socialist NVV and Catholic NKV union federations in the mid-1970s and agreements reached in 1982 with the employers over a redistribution of work to help combat unemployment.

This was achieved by early retirement plans, job sharing and part-time working. Significantly the agreements accepted the need for companies to improve their profitability, a view not shared by some union traditionalists.

"It is not that the unions are moderate," Mr Kok says. "It is the Dutch as a whole who are moderate. It is not in the national character to rush into conflict. Strikes only happen after negotiation has been exhausted."

The problems of the Labour Party will be no more amenable to solution than were those of the union federation.

The three main issues the party currently has to face are nuclear power, Cruise missiles and the economy. Labour is against the expansion of the Netherlands' small nuclear generating capacity, continues to oppose the siting of Cruise missiles on Dutch soil and wants to maintain the generous welfare system which is now under attack by the government.

The question facing Labour is whether the sober approach of Mr Kok can find greater support among the electorate than the more committed style of his predecessor.

Charles Batchelor

Horticulture

Year-round exports surging ahead

THE DUTCH have been known for their special love of flowers since the 17th century. Fortunes were made and lost then on the tulip bulb as a decorative art that was highly valued for its exoctic Turkish origins, ornamental value and scarcity.

In the prosperous village of Hoorn a whole house was sold for three tulip flowers before the speculative race collapsed.

By the 19th century the Dutch were back to commercially cultivating flowers and today horticulture is big business. Exports of flowers, potted plants, vegetables and fruit combined surged 24 per cent to Fl 9.15bn last year from Fl 7.35bn in 1983 and account for one-fifth of all agricultural exports. Horticultural exports also are growing faster than most other agricultural products, and this has been important in maintaining the Netherlands' position as the world's second largest agricultural exporter behind the US.

The Dutch claim nearly two-thirds of the world market for cut flowers and are an important exporter of tomatoes, cucumbers and mushrooms in Europe.

Intensive cultivation methods, much scientific research, highly efficient auction houses and a good distribution system all have helped the Dutch in achieving a leading position. Equally important is the ability to produce year-round, regardless of seasons, in the vast glasshouses that dot the Netherlands.

But competition is growing as markets become saturated, consumers demand more variety and new suppliers emerge. Dutch dominance of the European cut-flowers market actually slipped a few percentage points to 63 per cent last year and the strong export position of tomatoes and cucumbers faces frest competition from Spain following that country's entry to the European Community.

To maintain their competitive edge the Dutch are relying increasingly on high technology to produce the best quality products at the lowest possible prices. Computerisation, mechanisation, communications and research are viewed as the keys to the future.

High technology has already given Dutch horticulturists the basic tools to become some of the most productive in the world. After World War II glasshouses sprang up to create the sunshine and warmth that nature failed to provide. An efficient natural-gas network was built to distribute the cheap and plentiful fuel to the greenhouses.

Now the Westland, an 8,400-acre area jutting into the English Channel at the Hook of Holland, is the world's largest agglomeration of hothouses. About half of all horticultural production is under glass.

Attention now is being focused on upgrading horticultural products, as well as most agricultural products, to meet the market's demands for more specialty items. For example, the Dutch sell most of their pigs as meat parts and whole hogs while the Danes sell much more bacon and ham.

Some of the biggest advances have been in the greenhouse industry where computers are helping to produce flowers and plants with better quality, variety and uniformity. In an increasing number of glass nurseries, climatic conditions are completely regulated by sophisticated computers that continuously monitor the weather inside and outside the greenhouse.

By linking the computer to the infrastructure, everything is adjusted automatically: windows, sun lamps, sun shades, water, fertiliser and carbon dioxide.

Better control over the growth process plus up-to-date information allows nurserymen more flexibility in responding to market demands. When New Yorkers suddenly go wild over yellow bell peppers, and growers learn of it quickly through faster electronic communications, they can increase production of the tasty golden pods and perhaps speed the slow output of red and green peppers. The same is true of juggling yellow and pink roses, which are the Netherlands' leading flower export.

Mechanisation also is used more and more in seeding, potting and packing flowers and plants. Robots are likely to be the next step, with research already having begun into intelligent machines that could judge when a flower is ripe for plucking.

Heavy investments in horticultural research have been made in centres such as the Institute of Agricultural Engineering in Wageningen, the Westland research station in Naaldwijk and the flower research centre in Lisse. The mushroom experimental station in Horst has produced mushroom varieties that account for more than half of the world's current output.

One of the most dramatic successes in horticulture has been in mushrooms. The "bread of the poor," where the Netherlands has soared to the world's third largest producer behind the top-ranked US and France. Good productivity, research and technology have catapulted the industry from virtually nothing after world war two to an annual turnover of Fl 500m.

Most of the mushrooms are grown in the southern province of Limburg, where many small, family-owned farms achieve economies of scale through the Dutch Mushroom Growers Co-operative. Nearly all growers are members of the co-operative, which supplies raw materials, specialised training and marketing.

Efforts at the moment are focused on improving quality, which is often viewed as mediocre because half of all Dutch mushrooms go into canning. The other half is sold as fresh produce where superior quality is necessary to meet consumers' tastes.

A leading company in the drive to improve quality is Lutece, a mushroom-canning concern in Velden, Limburg, that is jointly owned by six auction houses, the Central Bureau of Horticulture Auctions and the Dutch Mushroom Growers Co-operative.

Mr Herman Slangen, director of Lutece says: "We owe our spectacular growth to our persistence in moving up-market. Market development, which is a necessary consequence of the increase in production, will in the future, primarily have to come from the up-market sector."

Lutece, which is an intermediary between growers and consumers, is using computers to help achieve this upgrading. The company recently completed a Fl 7.5m investment programme to completely computerise the sterilisation process and retain more nutrients in the fungi.

A crucial link in the horticulture industry is the auction houses, which began 100 years ago as a way of getting produce to market faster and more cheaply. In the unique form of Dutch auction, the buyer bids as the price falls. A huge clock displays prices in descending order in place of the number on a normal clock face. As the hand sweeps clockwise around the descending prices the buyer pushes a button to stop the hand when it reaches an amount he's willing to pay.

At the largest auction, the VBA Aalsmeer flower auction, nearly everything from product display to bidding to accounting is computerised. For each transaction the computer registers the buyers' identification number, price, volume quality and seller and spews it out on a ticket that is attached to his purchase. The flowers or potted plants are ready for the buyer within 15 minutes of the sale. A new Fl 7m computer centre is designed to speed up the process even more.

Last year the VBA flower auction launched a videotex system that links up with growers to provide up-to-date information on auction prices, sales quantities, buyer demand, weather conditions and other data. Called TeleVBA, the system will later allow a two-way exchange of information and eventually a three-way exchange including buyers.

Laura Raun

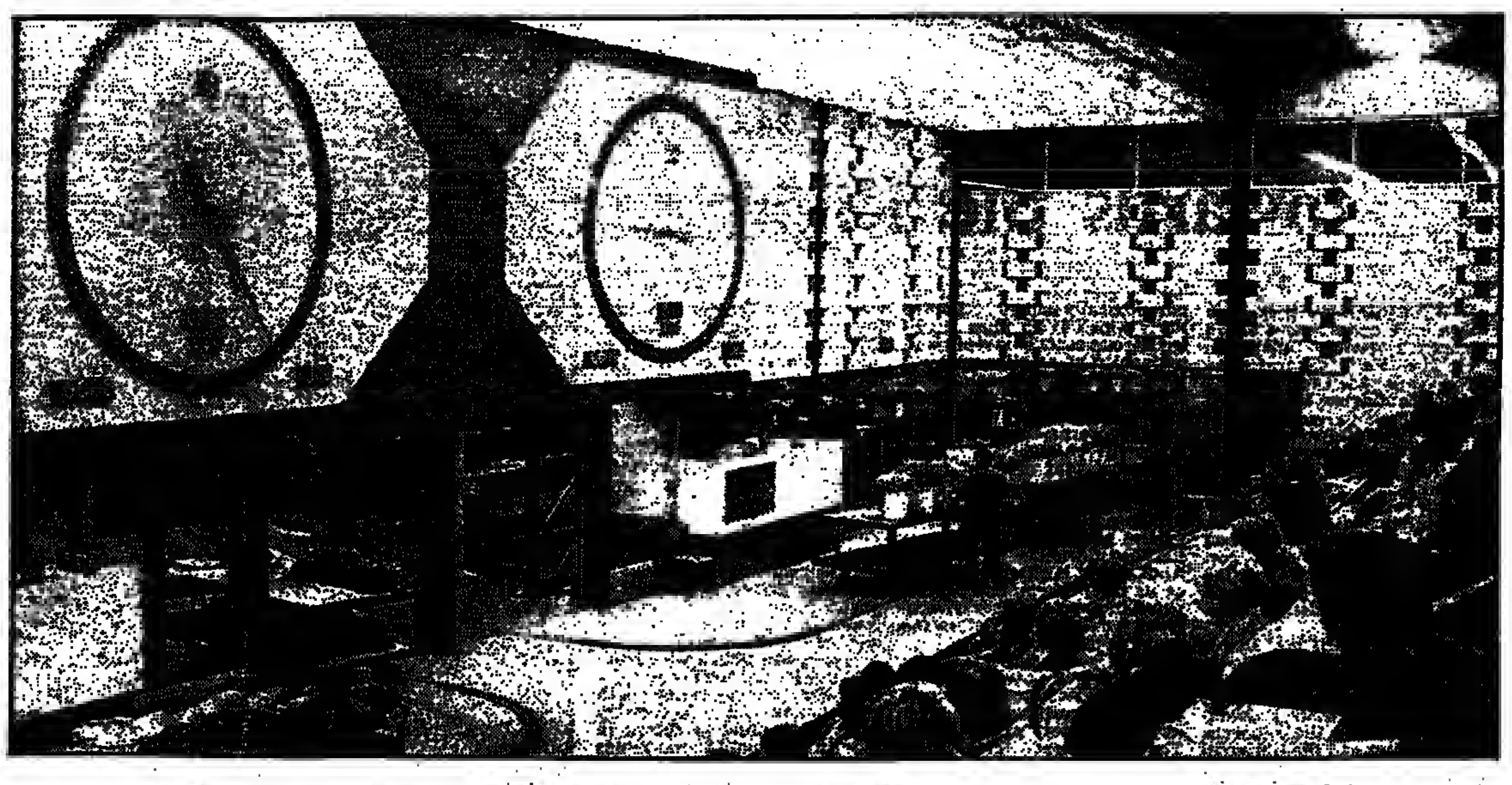
Horticultural production

	1984	1985
Total production area under glass	8,840 ha	8,970 ha
Area of flowers and plants under glass only	4,110 ha	4,275 ha
Outdoor growing area flowers and plants	1,715 ha	1,690 ha
Number of flower and plant growers under glass	7,615	7,700
Number of outdoor flower and plant growers	3,250	3,125

World exports of cut flowers (%)

	1984	1985
Netherlands	66	63
Colombia	14	13
Israel	7	8
Italy	8	7
Others	5	9
Total	100	100

Source: Flower Council of Holland



One of five auction rooms at the Aalsmeer flower auction. The Dutch claim nearly two-thirds of the world cut flowers market.

Agriculture

Surpluses force need to make changes

"THE LIMITS of growth have been reached. In fact, they have already been exceeded- .... There are no simple solutions to the problems of European agriculture—we have a number of difficult years ahead." Mr Harm Scheihaas, chairman of the Dutch Dairy Board, said recently.

The Dutch are taking a characteristically pragmatic view of the problems facing one of the most important pillars of their economy. Change, they accept, is essential, if a solution is to be found to the problem of farm surpluses.

At the same time they are convinced they can weather this period of turbulence and emerge with a viable farm sector.

The Netherlands' farmers have made skillful use of the opportunities created by the EEC's agricultural policy over the past two decades to achieve impressive rates of growth. Their agriculture is specialised, highly intensive and very much oriented towards foreign markets.

Farm exports rose to about Fl 151.5bn (£15.5bn) in 1985 from Fl 149bn the year before though a decline, the first for many years, is expected in 1986. Farm products accounted for about one quarter of all Dutch exports, making the Netherlands second only to the US as an exporter of agricultural produce.

The Netherlands has run agricultural trade surpluses of about Fl 15bn to Fl 16bn in recent years, despite importing large amounts of grains, derivatives and tropical produce.

Much of the success of Dutch agriculture results from a combination of relatively small family farms, with the flexibilty and economies this allows, and a smoothly-run national organisation to promote education and research.

A widespread use of co-operatives ensures the efficient processing and marketing of agricultural products.

Ninety per cent of farms are family-run, a far higher precentage than elsewhere in the EEC. The average farm size is 15 hectares, below the EEC average of 17.5 hectares (excluding Greece). The average farm size in the UK is 69 hectares.

The agricultural and horticultural sectors are grouped in an organisation known as the Landbouwschap or industrial board for agriculture. This board represents both employers and unions in the farming and food processing sectors and lobbies the government for their interests.

The livestock sector, in particular milk and dairy production, is the most important. Nearly two-thirds of the land under cultivation is under grass, and animal products account for nearly 70 per cent of all agricultural output by value.

The Dutch livestock herd comprises 5.5m cattle, including 2.5m milking cows producing about 13m tonnes of milk annually. The Netherlands is the world's largest exporter of cheese, accounting for 20 per cent of all world trade. It is also number one in trade terms in condensed milk (46 per cent), full fat milk powder (24 per cent) and butter (21 per cent).

The dominance of the dairy sector means that the issues raised by the EEC milk surplus are followed with particular interest in the Netherlands. Production curbs affect not only the farmers but reverberate through the dairy processing industry, the animal feed producers and the suppliers of dairy equipment.

Nevertheless, Mr Gerrit Braks, the Agriculture Minister, and himself the son of a farmer, concedes: "Production in the agricultural sector is rising so fast that we have no alternative to the reduction of surpluses."

The Dutch are particularly worried that national governments within the EEC will start their own support programmes for farmers, fragmenting the European market.

Mr Braks is in favour of temporary social programmes to help sectors in difficulty but is against long-term aid programmes which take no account of farmers' incomes.

The Dutch have agreed to reduce milk production in the 1986-87 EEC farm year (running from April to March) to a level 9.55 per cent below that of 1983. This represents a slight increase on the cuts called for the year before.

Unless production levels can be brought down voluntarily, further reductions of 2 per cent in 1987-88 and 1 per cent in 1988-89 will be required.

Nearly half the Netherlands' 60,000 dairy farmers had to pay the EEC superlevy for overproducing in 1984-85, the first year in which these curbs applied. They had to pay 56 cents a litre out of the 75 cents they normally received from the dairy.

The total superlevy payment by Dutch farmers in that year was Fl 125m (£38m), an average of Fl 4,270 per farmer. This rose to an estimated Fl 130m in 1985-86.

Some farmers went on producing too much and paying the superlevy because it was still worth their while. They could produce the extra milk at a marginal cost so they still made a profit despite the levy.

But for a small number of farmers already in financial problems the levy was enough to push them over the edge into bankruptcy.

Dutch pig and poultry farmers also have their problems. The country's 11.1m pigs, 43m laying hens and 34m broilers are producing too much manure. As a small country with a very intensive system of agriculture, the Netherlands has a particular difficulty. But producers elsewhere, including those in the UK, are coming to realise they have a similar problem.

Pig and poultry farms produce 86m tonnes of manure annually. This contains a number of harmful metals and chemicals such as copper, zinc, phosphates and cadmium, which have begun to build up in the soil and threaten the purity of water supplies.

The problem is made worse by the concentration of these farms in certain areas. But even if the manure could be distributed throughout the country there would still be a surplus of 18m tonnes.

In 1984 the Agriculture Ministry imposed a ban on new investment in these sectors. In the longer term the Dutch are working to reduce the volume of minerals in feedstuffs.

Copper quantities have been cut by 75 per cent in the past three years. They also plan a scale of levies on the farmers who produce the manure, depending on whether they can make use of it on their own farm, whether it can be transported to a nearby farm or whether it has to be destroyed.

A bill to this effect has already been passed by the lower house of Parliament and awaits approval by the upper chamber. With two of their largest farm sectors affected by levies or the prospect of levies, where do the Dutch see further agricultural growth coming from?

Horticulture still offers good export prospects but for most farmers the answer lies in meeting the higher cost of paying levies or changing production methods by yet further increases in efficiency.

Charles Batchelor

Annual income levels in agriculture

(Fl 000's)

	1983	1984*	1985
Crop farming	139.9	60	31
Dairy farming	49.4	42	53
Mixed farming and dairy	36.1	37	43

*Provisional figure

Source: Netherlands Agricultural Economics Institute

Average annual income levels

(in Fls)

	1982	1983
Farming	71,500	67,500
Horticulture	46,900	57,000

Source: Dutch Agriculture Ministry

Trade unions

Concern at decline in membership

THE NETHERLANDS trade unions have come through a difficult five years. The economic recession, record levels of unemployment and the policies of a determined Right-of-centre Government have not made life easy.

The Netherlands Trade Union Federation (FNV), the country's largest union organisation, has lost 172,000 members since its peak strength of 1.1m was reached in 1980. The Christian Trade Union (CNV) has lost 40,000 members and now totals about 300,000.

Part, but by no means all, of these losses have been made up by the growth of the Union of Middle-ranking and Senior Staffs (MHP) which has taken some members from both larger groups and now numbers more than 130,000.

The rate of decline in union membership is now slowing as the economy starts to recover. But Mr Hans Pont, who took over the chairmanship of the FNV from the energetic Mr Wim Kok in September 1985, remains concerned about the future of the union movement.

"Our biggest worry is the low level of membership among young people," he says. "It's more difficult to persuade people to join a union. We find it a short-sighted attitude but people have less money to spend and they save on their union subscription."

This decline in membership has forced the FNV, which functions as a central coordinating body for 16 individual unions, to shed more than a quarter of its 370-strong staff.

This has meant it has had to trim its efforts in fields such as social welfare and health care and concentrate on its primary task of defending its members' jobs and earnings.

A recent report, entitled "The FNV in 14 years' time," carried out by a special project group, recommended that greater attention be paid to the needs of the young, white-collar workers, women, part-timers and the jobless.

The CNV, for its part, is concerned that politicians have stopped listening to the unions' views on social and economic matters.

"The union approached the Government and Parliament on many recent occasions to little effect. Courageous and responsible proposals were not given a hearing," it declared in its policy document for the years to 1990.

Hans Pont: still a major task ahead.

It also fears that the importance of organisations such as the Labour Foundation, where the two sides of industry meet to discuss wages and conditions, and the Social Economic Council, a government advisory body on which unions, employers and Crown nominees sit, has been downgraded.

Only just over a quarter of the Dutch workforce belongs to a union. This compares with figures of 48 per cent in the UK, 38 per cent in West Germany and 80 per cent in Belgium.

The low Dutch figure may help to explain the relatively peaceful labour climate which has prevailed since the war. Germany, however, with a higher degree of union organisation, has also enjoyed good labour relations, while the UK with its even higher figure has done less well.

Mr Gerrit Terpstra, a CNV official, attributes the low level of disputes to the high degree of organisation of the unions. This allows disputes to go from plant to regional to national level and back down again, increasing the chance of a solution being found somewhere in the chain.

The Netherlands lost only 20 working days for every 1,000 employees in the period 1976-85, compared with 30 days in Germany, 310 days in Belgium and 410 days in the UK, according to UK Department of Employment figures.

Unofficial action is fairly uncommon in the Netherlands.

The two main central organisations, the FNV and the CNV, have a powerful coordinating role in the affairs of the individual unions which are affiliated to them.

The CNV, for example, represent 13 individual unions, ranging from the Catholic union for sextons with its 75 members up to the government and health service union with 88,000 members and the industrial and agricultural union with 58,000.

Ambitious plans for the creation of one central union organisation failed in the mid-1970s. The Protestant CNV was to have merged with the Catholic NKV and the Socialist NVV. In the event the CNV felt its views would not be fairly represented and the socialists and most of the Catholic unions merged to form the FNV.

Many white collar workers felt that they were not adequately represented by the large industrial unions which dominated the FNV so they set up their own body, the MHP. There are no plans to attempt again to form one organisation.

The CNV generally takes a more moderate line in its negotiations with the employers than its larger rival, the FNV. The programmes of the two organisations are not dissimilar but the CNV's Mr Terpstra defines the difference between the two thus:

"We believe in the individual responsibility of the worker for his workplace, his school, his family. We believe there is a layer of organisation between the state and the individual. The FNV is for more central government control of people's lives. We say the government is already too powerful."

In concrete terms this means the CNV favours more areas of life, such as wage negotiations and the social security network, being left to the two sides of industry without constant state intervention.

The main theme of wage negotiations in recent years has been the length of the working week. This was cut in most sectors from 40 to 38 hours in 1983, and a further reduction to 36 hours is currently under discussion.

The reduction in working hours has been financed by a freeze on the payment of compensation for price increases. Dutch workers had become used to automatic twice-yearly increases in wages to match inflation.

The savings that have been made are being used partly to improve company profits and partly to increase job vacancies. The CNV believes about 140,000 jobs have been created as a result of the cut in the working week but the FNV is not so sure.

Not all employees, let alone employers, are convinced of the benefits of cuts in working time. The federation of senior staffs at one Dutch company said communications within the organisation had worsened and some jobs had been farmed out to outside companies or moved abroad.

The staff members affected had to work harder and the quality of goods and services had declined, the federation said, and it took longer to develop and manufacture products.

Mr Pont, 48, is a former land surveyor and was vice-chairman of the 243,000-strong civil servants union, the largest FNV-affiliated union.

He acknowledges that it will be difficult to match the record of his predecessor but, he argues, Mr Kok's achievements will open doors for his successor.

There is still a major task ahead. Despite signs that the Dutch economy is starting to pick up again there remain major problems of unemployment and the redistribution of wages and work to be solved.

Charles Batchelor

Broadcasting

Pressures for commercial TV

COMMERCIAL television is sweeping across Europe in a controversial wave that is vexing broadcasters, viewers and politicians alike. Powerful media magnates and more sophisticated technology are forcing changes on broadcasting systems that all began as non-commercial systems but are giving way—willingly or unwillingly—to commercialism.

Not in the Netherlands, however; at least not yet. Only a few weeks ago a new media law was passed that promises to protect the non-commercial nature of Dutch broadcasting for at least a couple more years. Mr Ruud Lubbers, the Prime Minister, added that he expects no commercial broadcasting while he is in office.

The broadcasters themselves fear the vicissitudes of commercial programming compared with the coddled position they now have. But some are increasingly intrigued by the successes of Mr Silvio Berlusconi of Italy, Mr Rupert Murdoch of Australia and others.

Under the Dutch system, which is tightly regulated by the Government, no programming is allowed on the country's two TV channels and five radio stations that is financed directly by selling advertising. About one-quarter of revenue does come from a small amount of advertising but it is completely controlled by a broadcasting agency, the STER.

The rest of the financing comes from radio and TV licence fees and membership dues paid by viewers who belong to one of the country's eight broadcast associations.

Air time is shared out on the two TV channels by the eight associations according to their number of members, with the number based on subscriptions to the association's magazine programme guides. The cost of the subscription is a form of membership dues although those who do not belong to an association can naturally still watch TV or listen to the radio.

In practice most do join because TV programmes are shuffled around all the time to give broadcasters fair access to prime time.

The broadcast associations are distinguished along political, religious and social lines and attract members who want to see their particular mores reflected in programmes. These lines reflect the traditional verzuiling ("pillarisation") the strong groupings of Dutch society in which religion and politics determine everything from the TV programmes one watches to the labour union one belongs to and the school to which one's children are sent.

For the broadcast system, pillarisation means that the audience is not only the viewers who tune in to particular programmes but also the members of a particular organisation which espouses certain ideals. The diversity of the associations ensures the social pluralism that is so highly valued by the Dutch.

One of the most fervent and influential supporters of the existing system is Mr Gerard Wallis de Vries, chairman of AVRO, which is the oldest and largest broadcast association. AVRO is independent, not aligned with any political party or religion, and offers a general package of shows weighted towards popular entertainment, foreign films and current affairs.

Mr Wallis de Vries argues strenuously that the answer to encroachment by the media barons and new technologies is not commercial TV but more advertising time. "I can compete with the foreigners, I can make better programmes than Berlusconi or Sky Channel," he asserts. "Not through bigger licence fees but through more advertising."

STER will be able to double advertising time to 10 per cent under the recently-passed media law but that is not enough, according to Mr Wallis de Vries. He wants enough advertising time to finance high-quality, competitive shows but not the obligation to "make programmes to make money. There must be pluralism. There is no pillarisation in commercial TV."

Other broadcasters, however, are more eager to escape the paternalistic control from The Hague and its strong recommendations of plenty of culture and information. The most active is Mr Rob Out, perhaps the closest thing the Netherlands has to a media capitalist.

Mr Out is chairman of Veronica, originally a pirate station that grew so rapidly it gained legitimate status in 1975 and now is an independent association that proffers lots of musical variety and American series. But Mr Out also has launched his own company, Rob Out International, with the aim of exploiting commercial TV when it finally arrives.

The company now operates as a conduit for airing a popular Veronica show on Europa TV, the fledgling pan-European satellite-broadcasting network that is based in Hilversum, the Netherlands.

But he is widely thought to want to venture into European broadcasting via satellite, either through Veronica or his own company.

Mr C. J. Smeekes, the director of STER and a vocal supporter of commercial TV, recently told Elsevier's magazine: "If Out and I were to retreat for one week to a hotel in the Veluwe we could begin a commercial station within one year. Out is ready and so am I."

Other media entrepreneurs with enough money and knowledge are in short supply though, and that is one reason why many of the broadcast associations fear Mr Berlusconi, Mr Murdoch and Mr Robert Maxwell of Britain. Another reason is that programmes from these media barons already invade the Netherlands, such as France's TV5, Sky Channel and Music Box.

A number of the broadcast associations including TROS, VPRO and NCRV indicated an interest in commercial broadcasting but clearly are afraid of losing the guaranteed revenue from the STER. Under the new media law, a commercial network could be created if two or more of the established broadcast associations agreed to back it. But they would have to give up all STER money and stand on their own within a short six months.

Dutch viewers already get an enviable array of foreign broadcasts because the Netherlands is among the most densely-cabled country in the world, with more than three-quarters of all homes hooked up to a cable-TV system. Greatly worried over advertising revenue lost to foreigners, however, Mr Brinkman, the Culture Minister, has banned Dutch subtitles on advertisements specifically aimed at the Netherlands.

The European Commission has warned the Netherlands that it considers the subtitle ban an infringement of the Treaty of Rome and indicated it might sue in the European Court. If The Hague ever is forced to allow Dutch subtitles on foreign advertisements, it would only fuel the drive for commercial TV.

A lot of advertising revenue is lost to foreign broadcasters, perhaps in the hundreds of millions of guilders. Mr Smeekes of the STER estimates that advertisers would buy at least another Fl 200m of spots on TV if he could give them the time.

Advertising air time in the Netherlands is so limited—it is allowed only around newscasts—that companies wishing to advertise on TV must apply, choose a time slot and partially pay, a year in advance. Cancellation can cost more money.

Under the controversial new media law, the complacent broadcasting system will be shaken up somewhat. A long-discussed third TV channel is to begin in October 1987 although exactly what will be on the network is not known. Mr Brinkman wants plenty of cultural and informative programmes from the broadcast associations and the Dutch Broadcasting Corporation (NOS) which will share the network.

The most dramatic change will be a limited kind of privatisation in the NOS, which will have its production facilities spun off into a self-supporting operation financed solely by fees from the broadcast associations. The shares of the NOS production company initially would remain in the state's hands but eventually could be sold to the public.

The broadcast associations already have voiced fears of higher production fees when the NOS production company is forced to make it on its own. Steeper costs could force the broadcasters to raise the subscriptions to their programme guides, which they want to keep as low as possible.

Broadcasters admit, ironically, that they compete as much on their guides—spicing the magazines with colour and gossip—as with the programmes themselves.

Laura Raun

The Netherlands broadcasting associations

		Membership 1985	Membership 1986
Avro (Independent Netherlands Radio and Television Network)	Independent	782,300	787,200
Tros (Television and Radio Broadcasting Foundation)	Independent	744,000	721,300
Veronica (Veronica Broadcasting Organisation)	Independent	598,000	650,000
KRO (Catholic Radio Broadcasting Foundation)	Roman Catholic	617,500	632,900
NCRV (Netherlands Christian Radio Association)	Dutch Reformed Church	532,000	532,200
VARA (Workers Radio Amateurs Association)	Socialist	527,600	515,100
EO (Evangelical Broadcasting)	Protestant	330,000	326,500
VPRO (Liberal Protestant Radio Broadcasting Association)	Progressive	343,000	328,700

Distribution

Leading role in Europe's transport web

DESPITE BEING one of the smaller European countries, the Netherlands can claim to be the region's leading transport and distribution centre.

Its distribution facilities include, for example, the world's largest port, Rotterdam, and Europe's fourth largest airport in terms of cargo traffic handled, Amsterdam Schiphol.

More recently, Maastricht Airport in the southern Netherlands has sprung to prominence as a Continental hub for express freight service operators Emery Worldwide and XP Express Parcel Systems, and the European trucking operations of British Airways.

The Netherlands has been a major trading force worldwide for centuries, a role which developed because of the country's own relatively small home market and lack of natural resources. Coal mining, a relatively recent development, ceased in the mid-1960s while the now vast natural gas reserves are finite.

To compensate for those shortcomings, the Dutch have in effect turned trading and distribution activities into a natural resource in their own right. Trading and transport in fact now account for over 30 per cent of the GNP and when combined with related services, for well over half.

Typifying the way the Dutch have developed their distribution role is the creation of a system of bonded warehouses which in effect makes the whole country a free zone.

Goods can be stored in these for any length of time before being sent on to final destination, without payment of Customs duties or taxes. This means that manufacturers' money is not tied up before the goods are sold and while in the warehouses, goods can be unpacked, re-packed, sorted, cleaned, inspected, painted, labelled and repaired. In certain circumstances, assembly is also allowed.

The main appeal of such facilities is to overseas manufacturers of high-value goods such as photographic equipment, medical instruments and pharmaceuticals, computer components, data systems, vehicle spare parts and television films, looking to establish a European distribution centre.

The Netherlands' small size and limited home market has also helped the country's ambitions to develop as a distributive centre. A large home market can militate against the setting up of an effective pan-European distribution centre, as the needs of the home market tend to come first. By having a distribution centre in a "neutral corner," overseas manufacturers know that the needs of all markets will be handled equally.

To handle the bonded warehouse business and other freight transhipment operations, the Netherlands has had to develop a wide range of interlinking facilities and services. Many of the goods stored in the bonded warehouses, for instance, arrive in the ports of Rotterdam or Amsterdam by sea, having been shipped in bulk from the Far East, the US or other parts of the world. They are then broken down into smaller consignments and often airfreighted on to their final destination via Schiphol Airport or moved by truck.

Although quite a large-scale business in its own right, the transhipment of high-value goods constitutes only a relatively small percentage of the overall freight traffic handled by the port of Rotterdam. Figures for 1985 show that of the port's total throughput of about 250m tonnes, some 206m tonnes comprised bulk cargoes such as oil, ores and coal, while general cargo, including container traffic, contributed 44m tonnes.

In the first six months of this year overall transhipment of goods in the port rose by 4.3 per cent compared with the same six months of 1985 to just over 123m tonnes. Total transhipment of general goods was up by 5.4 per cent to 23m tonnes, largely due to an 11 per cent rise in container traffic to over 15m tonnes, but there were falls in the volume of mineral oils, ores and coal handled during the same period.

Longer term, a recent study conducted by the Rotterdam port authority came up with a prognosis that by 1990 Rotterdam and other ports in the Rijnmond area would be handling 259-269m tonnes of goods carried in sea-going vessels. By the year 2000, the study suggested, that figure would rise to between 273 and 300m tonnes, and by 2010 to 293-334m.

According to the estimate, the Rijnmond ports will handle between 3.2 and 4.3m sea containers by 2010, as against 1.8m in 1984.

A spokesman for the Rotterdam port authority says: "This dramatic increase can be explained by continued containerisation of general cargo, the growth in trading finished products and the "main port" effect under which the number of ports used by the major shipping lines is reduced."

Much of Rotterdam's success as a port has stemmed from its geographical position, which makes it particularly well-placed to serve a hinterland which includes the major industrial areas of the Netherlands, the Ruhr, Belgium and much of France.

It has been estimated that the population living within a radius of 500 kilometres from Rotterdam totals some 150m and within 1,000 kilometres there are around 300m. That compares with the catchment area population of the world's next two largest ports, New York and Tokyo, of about 60m and 50m respectively.

Road, rail, and inland waterways provide the links between Rotterdam port and its massive catchment area. Traditionally, the waterways have been used to transport bulk cargoes such as coal and ores which can be moved relatively cheaply by barge but, increasingly, general cargo containers are also being moved that way. It has been estimated that by the year 2000 up to 35 per cent of containers handled through the port of Rotterdam could be transported to and from its hinterland via inland rivers and canals. The Dutch inland fleet alone already comprises about 7,000 vessels with an aggregate capacity of 5.5m tonnes.

As far as the Netherlands' airfreight activities are concerned, the main centre of operations is Amsterdam's Schiphol Airport which last year handled 434,000 tonnes of flown cargo, putting it fourth in the European league behind Frankfurt in West Germany, the United Kingdom's London airports and Paris, France.

Most recent figures suggest that cargo business is still increasing, with airfreight up by 7 per cent in July as against the same month in 1985 and 9 per cent in August, giving an overall rise for the first eight months of this year of 2 per cent and putting the airport on course to record 450,000 tonnes for 1986 as a whole.

To cope with current and likely future freight and passenger traffic, the Schiphol airport authority plans to invest some US$600m between 1985 and 1995 in the expansion of facilities.

By 1995, the airport authority believes, Schiphol could be handling anything between 660,000 and 840,000 tonnes of air cargo, a high percentage of that being transhipment traffic passing through Amsterdam to make use of the ever-growing number of air services operated from the airport. This year the number of scheduled service airlines operating from there has reached 88.

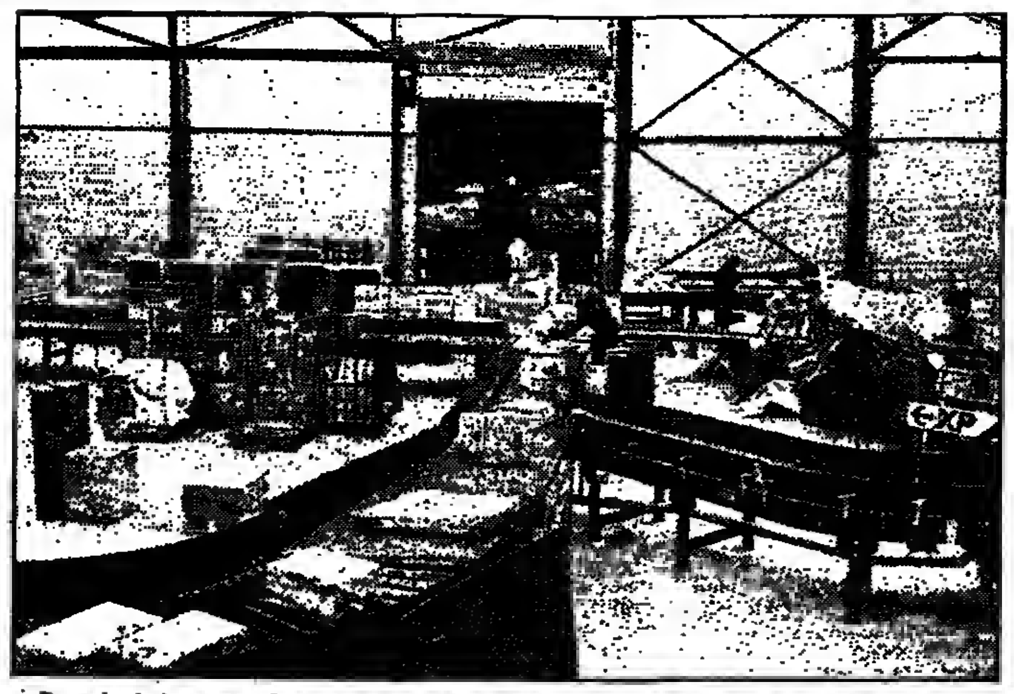
Maastricht airport over the last couple of years has been carving out a niche as a hub point for a number of all-freight operations. Situated in the southern part of the country, it benefits from being well-placed to form the focal point for freight services to and from most of Europe and Scandinavia.

Operators there include XP Express Parcel Systems, which uses the airport as the hub point for some 20 aircraft movements a night as part of its expanding intra-European door-to-door freight system, and the US transport company Emery Worldwide which last month announced a major expansion of its Maastricht activities to include operation of eight aircraft to link 15 European/Scandinavian airport cities into its express service system.

Emery also uses Maastricht as the Continental hub point for its six-times-a-week DC-8 freighter flights to and from the US, an operation which is likely to be doubled in the near future.

Third of the major operators at Maastricht is British Airways which this year has established a trucking hub there to act as the focal point for Continental airfreight traffic being funnelled into and out of the UK to connect with its worldwide longhaul flights.

Phillip Hastings



Parcels being sorted at XP Express at Maastricht Airport. The Netherlands is capitalising on its past as a world trading force.

Astute buy-out triumph

IN JUNE this year, Content Beheer became the first temporary employment agency to be listed on the Amsterdam Stock Exchange's parallel market, less than a year after its managing director, Mrs Sylvie Toth, acquired the company in a management buy-out from UK investment fund Bayfine.

The 100th management buy-out in Holland and the first by a woman, the company is unique in Holland, where no other Dutch company listed on the stock exchange has a female chief executive, nor is any other well-known company in the Netherlands owned by a woman.

Mrs Toth 42, combines a forceful character with considerable charm; her effortless command and direct but relaxed style is not unlike that of the Prime Minister, Mr Ruud Lubbers. The management buy-out was a personal triumph, achieving her goal of "bringing Content back to Holland" after fostering the company through a decade of growth."

Content was set up in 1972 by a classmate of Mrs Toth's at her evening classes, Paul Hessing. She helped him build up the business and eight years later, became managing director when he sold it (with turnover of Fl 15m) to Bayfine, a conglomerate which had other interests in the UK.

As Content proved successful, Mrs Toth joined the board of Bayfine in 1978 and set about persuading the UK shareholders to get rid of their other, less successful companies. She also persuaded Bayfine to give her shares in the parent company in place of its profit-sharing scheme, and acquired more shares instead of taking cash when Bayfine sold Highgate, a quoted opticals company.

Her growing financial acumen paid off when she became involved in Bayfine's protracted negotiations with merchant bankers Granville last year over taking Content to the London OTC market. She went to Content's Dutch bankers, Nederlandsche Middenstandsbank, and told them she wanted to buy out Content. They put her in touch with their venture capital company, NMB Vanture Partners PPM.

Turnover had risen to Fl 72.4m by 1984, with net profit surging to Fl 3.1m from Fl 1.2m in 1983. Impressed by Content's record, NMB Venture Partners agreed to put up the necessary funds.

Helped by the fact that the OTC negotiations had been dragging on and with a more attractive deal to offer, Mrs Toth says: "I went to see my three English gentlemen in Bayfine and said, 'Why don't you forget everything about it. I will give you cash, you have your money tomorrow, we shake hands and that's it.' And they agreed."

The novel move generated a flood of publicity for Mrs Toth and her company in Holland and she was nominated 1985 Businesswoman of the Year. Partly for this reason but also because the company was performing better than forecast and the stock exchange climate was favourable, NMB approached Mrs Toth and suggested the time was ripe for a market launch in Holland.

In June, Content issued 427,799 new shares and placed 625,000 ordinary shares on the parallel market with subscriptions by tender with a minimum price of Fl 27.50. The price was fixed at Fl 32.60 for a p/e ratio of about 21, based on projected earnings for the current financial year ending September 30 of Fl 1.58 per share.

Turnover this year is expected to be around Fl 125m. As a result of the successful launch, Mrs Toth was able to pay off Fl 16m for goodwill to Bayfine in one lump sum.

After the 10 per cent increase in share capital, Mrs Toth holds 61.4 per cent, mostly in a foundation for takeover protection ("I will always keep 51 per cent because I worked bloody hard to make the company"). The staff hold 8 per cent, NMB Venture Partners 6.4 per cent and BPF venture capital 1.6 per cent, with 22.6 per cent traded on the parallel market. Total share capital is Fl 4.6m. The share price is currently trading at around Fl 36-37.

Sylvia Toth: effortless command and a relaxed style.

Content Beheer is the holding company for two temporary personnel agencies, a higher personnel selection consultancy Adviesbureau for Personeelszaken, a computer software services unit Bèta Management, Content Tekstverwerking which trains and hires out word-processor operators and a publicity studio Uitgeverij Content.

Its core commercial temps business turnover puts it in sixth place in Holland, with an estimated market share of 5 per cent spread over the major industrial and commercial sectors and government.

In Holland, temps agencies, called Uitzendbureaus, dominate the commercial job placement scene (2 per cent of the Dutch workforce are employed by Uitzendbureaus) because permanent job placement is intended to be the preserve of the state.

In practice, personnel selection for permanent jobs is permitted, under strict conditions which include highly-qualified psychologists to do the selecting. "We are allowed to advertise for and select, say, an executive secretary for Shell, but we can't put in an ad saying we have lots of jobs for executive secretaries," Mrs Toth explains.

Content survived the recession in the early 1980s with flying colours, when the industry contracted sharply. "I said to all my employees, don't worry, there will be losses, but we are such a strong company that none of you will be sacked and no agency will be closed. I give you our guarantee." Morale and quality of work stayed high as a result, she says, and everyone contributed cost-cutting suggestions.

Mrs Toth attributes Content's success to her conservative policy of steady, broad-based growth.

Formative influences were her immigrant background (her father was a Hungarian musician) and her Dutch mother's second husband, an older Dutchman who discussed Freud, Jung and Adler with his eight-year-old stepdaughter and never doubted her abilities. In the entrepreneurial tradition, she started work on her 15th birthday and continued her education at night school.

Mrs Toth would like to see more Dutch women running companies. "I think it's a matter of guts really. Believe in yourself, work to achieve your goal and don't doubt. I had a journalist the other day who asked, What do you do when people don't take you seriously? I said that never happens. So the question is wrong."

Caroline Studdert

Industry

Fears about the 1987 budget

THERE CAN be no doubt that Dutch industry is in far better shape today than it was in the late 1970s and early 1980s, but it views the 1987 budget as a fresh threat to its health. Industrialists were dismayed at the government's budgetary measures to claw back some of the Fl 12bn drop in natural gas revenues through increasing industry's tax bill.

The largest employers federation, the VNO, said the measures—which include a 1 per cent increase in value added tax and scaling back of tax allowances for inventories and capital assets—will add at least Fl 4bn to industry's costs. That will wipe out at one blow the benefits to industry of the previous administration's reduction of corporate income tax, the federation said. The smaller Christian federation, the NCV, complained that industry was being presented with the bill for the government's unwillingness to face the political risks of more state spending cuts.

The Government's argument is that since industry would have benefited from the fall in gas prices to the tune of some Fl 12.5bn, a partial clawback by the state is justified. Without these measures, the spending cuts necessary to keep the budget deficit from rising would be socially unacceptable.

Industrial production growth is expected to remain flat at about 2.25 per cent in 1987. The biggest decline is in investment growth, expected to be halved to 4.5 per cent next year compared with this year, largely due to lower energy prices. Next year's investment slowdown will reflect a drop of at least 40 per cent in the refinery sector due to the completion of large cracking projects, while a number of large-scale energy investment plans will be shelved because of the oil slump; and the important machinery investment sector will be braked.

A major problem sector is the offshore industry, with more cutbacks and layoffs likely after Hollandsche Beton Groep, the largest Dutch building group, recently announced it would scrap 320 jobs in its offshore and steel-construction subsidiary Hollandse Constructie Groep. IHC Caland, the oil and gas production and services group, has run into serious difficulties due to the slump in oil industry investment and is selling off or liquidating its US oil interests.

The sector's importance is signalled by the Central Statistics Bureau's latest figures showing an ominous 8 per cent decline in Dutch industry's total turnover in the 1986 first half which it said reflected a slump of 52 per cent in the oil industry and a drop of 19 per cent for the chemicals industry due to the oil price fall.

Netherlandse Aardolie Maatschappij, the Dutch gas and oil extraction company 50:50 owned by Shell and Esso, announced measures in April to slash Fl 1bn in operation costs and investments. Last month, a director of the company, Mr B. P. Jetses, said that further cutbacks in investments and possibly even a halt in drilling operations would be necessary if Opec failed to stabilise oil prices.

More recently, a furore has arisen over French attempts to make contracted gas purchases from the large Troll/Sleipner natural gas project on the Norwegian North Sea continental shelf during the next decade conditional on French industry being given a major share of orders for production facilities.

Together with the Netherlands, West Germany and Belgium, France is a member of a consortium contracting with 10 oil companies and the Norwegian government to buy an annual 20bn cubic metres of natural gas from the Norwegian fields between 1993 and 2020. The French move sparked a chorus of protest in the Netherlands, which fears that its limping offshore industry will miss out on orders.

On the positive side, industry's energy costs have already fallen substantially. The gas distribution and marketing utility Gasunie cut its natural gas prices for larger industrial users again in October to average just over 15 cents per cubic metre, or less than one-third of the price a year earlier.

The industry perhaps best placed to benefit from lower gas prices is horticulture, in which the Netherlands has a world lead; with the world's largest glasshouse cultivation sector, it is relatively more energy-intensive than its foreign competition. In the case of agriculture, other factors are likely to be more important, notably the winds of change now blowing through the EEC on price support systems for the dairy industry.

For a number of sectors and individual companies with important export markets in the US and other dollar-related markets, cost benefits from lower energy bills are likely to be countered by the lower dollar. This effect has been apparent in the banking and insurance sectors this year.

Dutch production growth 1986-87

	1986 %	1987 %
Agriculture, forestry and fisheries	2	2
Industry*	4	5.5
Energy	−5.5	−3.5
Construction	3.5	3
Services	2.5	3
Total	2	2.25

*Excludes all refineries

Source: Central Plan Bureau, 1987 Macro-economic forecast

The largest insurer, Nationale-Nederlanden, reported that first-half profits and revenue were pressured by the fall of the US and Australian dollars. Though it managed a 5.3 per cent net profit gain, revenues actually declined 1 per cent and it only forecast whole year per share profits maintained at last year's level.

Mr Robertus Hazelhoff, managing director of Algemene Bank Nederland, has said that the bank's income declines proportionally with the dollar since a sizeable proportion of its revenues come from dollar and dollar-linked countries, notably Saudi Arabia.

In the food sector, a high energy consumer, leading companies such as Heineken breweries and food retailer Ahold have important US markets and Ahold warned at the beginning of this year that the profit contributions from its US activities would probably be depressed by some Fl 10m on the dollar's weakness. Meanwhile, the guilder has strengthened further.

In packaging, the Thomassen and Drijver Verblifa group faces a major shakeup of its production strategy and product range. It reported that turnover and net profit dropped in the first half of 1986 as the lower dollar and falling oil prices affected food exports for which TDV supplied the packaging.

The strong guilder is also endangering compensatory defence orders for Dutch companies from the US. Raytheon, the US armaments manufacturer which is supplying Holland with the Patriot missile system, told a Dutch parliamentary delegation to the recent Farnborough Air Show, in the UK, that prices of Dutch components had risen by up to 25 per cent in the past nine months and were now substantially higher than those of US competitors. The orders at risk under the original agreement are worth Fl 200m.

The Central Plan Bureau says in its macro-economic forecast that Dutch unit wage costs have already risen relative to competing countries as the guilder has strengthened. It still predicts that export volume will grow by 5 per cent next year (3 per cent this year) as exports of import— and energy-intensive manufactured goods benefit from lower input costs, but at the expense of slimmer profit margins.

Even if other export factors remain equal, Holland's competitors will also benefit sooner or later from lower energy prices. Dutch exporters are likely to be faced with the choice of passing on the price reduction or losing market share.

On the home market, industry should reap some benefit from a projected 2.5 per cent increase in consumer spending (this year 3 per cent) and a negative inflation rate of 1.5 per cent, according to the CPB. But Dutch economists question the inflation figure, pointing out that wages are sticky downward and the CPB uses an econometric model designed for an inflationary period.

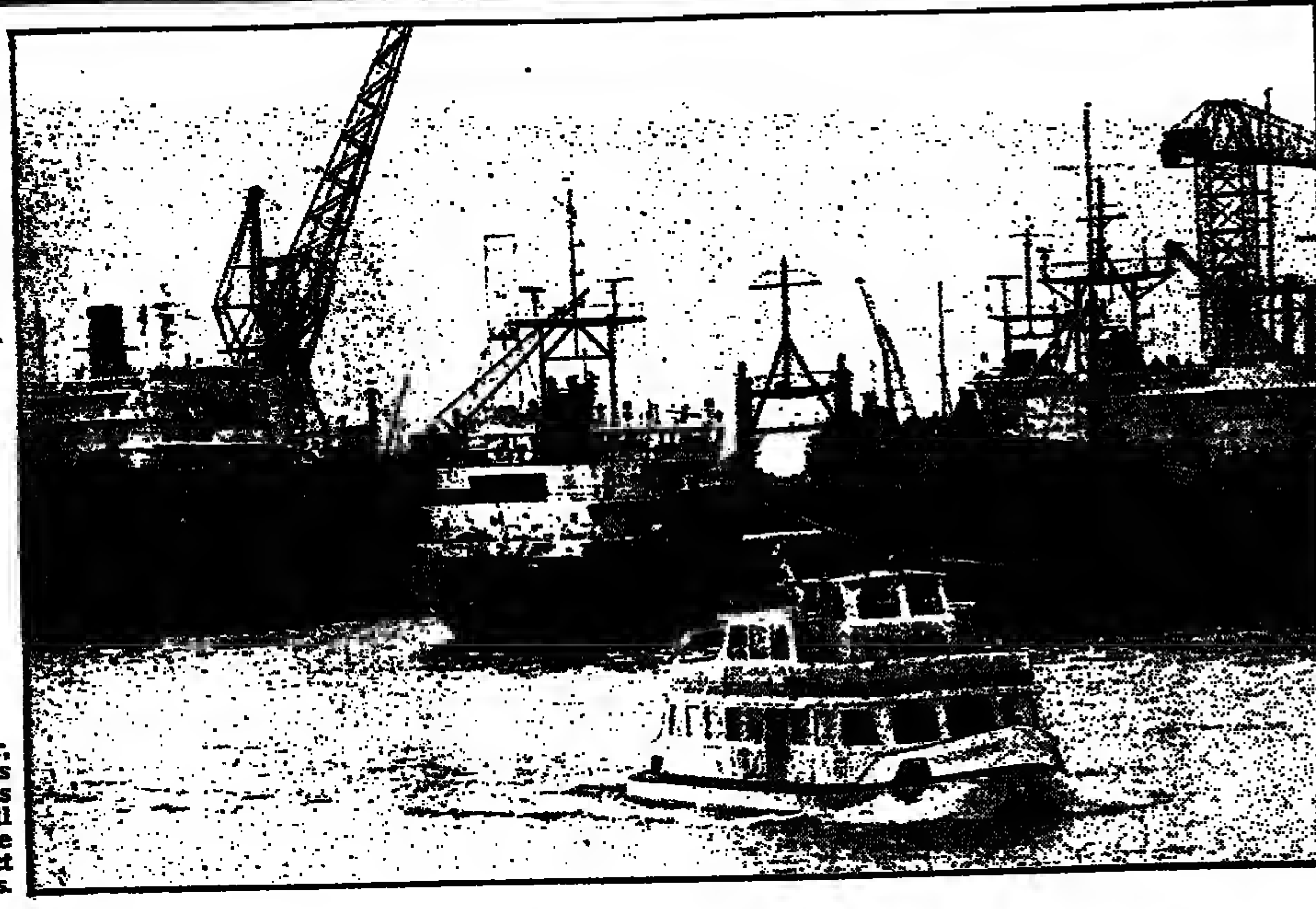
The leading consumer group, Konsument Kontakt, argues that prices are unlikely to fall because taxes are rising. Besides, consumer spending growth is expected to be strongest for durables like cars and electronic equipment and may benefit foreign manufacturers more than the Dutch.

The general picture for industry is not that rosy. So it is little surprise that there are mutterings of discontent among industrialists about the second Lubbers administration. While the regime still claims a major goal is to encourage industry as the motor of growth, companies feel it has in practice done a U-turn in making industry shoulder part of the burden of the gas shortfall.

They reason, with some justification, that Lubbers Cabinet II is less friendly towards industry now than it was in its first term in office.

Caroline Studdert

The Oosterschelde storm surge barrier (left) consists of a total of 62 gates in three sections and is designed to protect both the population and the environment of Zeeland province from flooding by closing the gates at times of threatening tides. It forms the last major link in the Netherlands' defences against the sea and rivers.



Right: Rotterdam harbour, the world's largest port, is one of the shipping channels in the Rhine delta that will be protected by the extensive delta project works.

Flood defences

Protection by a computerised sea barrier

ON FEBRUARY 1, 1953 a ferocious storm whipped the North Sea into such a frenzy that it surged through the dykes of Zeeland province and flooded a half million acres. More than 1,800 people perished in the deluge while much of the province's valuable agricultural industry was destroyed.

Within three weeks the Dutch decided to build a mammoth water-control project across the Rhine River delta, which cuts through Zeeland, in an effort to ensure that another such inundation would never happen again.

The delta works project has taken 30 years and Fl 13bn to complete and its centre piece, the Oosterschelde storm-surge barrier, was inaugurated earlier this month. The Oosterschelde barrier is a permeable dam that will allow the North Sea to flow into the Eastern Scheldt (Oosterschelde) estuary except in times of threatening storms when huge gates will drop down and block the sea.

It is a feat of hydraulic engineering that will protect the delicate natural environment and the estuary as well as the vulnerable residents of Zeeland, where the land is up to six feet below sea level.

The Oosterschelde marks the end of a centuries-long struggle by the Dutch to wrest control of the wild sea around them. With half of the "Low Countries" below sea level, the Dutch have devised ingenious methods of harnessing the sea through dykes, windmills and canals.

The barrier dam across the former Zuyder Zee also was begun in 1932 following a terrible storm with the aim of taming the North Sea inlet for reclamation. Four polders with a total area of 165,000 hectares have been dredged up from what is now Lake IJssel.

But the Cabinet recently decided to drop plans for the fifth polder, the [illegible] Markerwaard, because its cost [illegible] would outweigh the benefits. Much of the land was to be used for farming but with agricultural surpluses at record highs the government felt it could hardly justify more cultivation.

[illegible]

waterway that leads to Antwerp and separates Zeeland's Beveland peninsula from the Netherlands' Flemish area. Provincial and industrial backers want to build an Fl 800m tunnel that would pay for itself through tolls and need no government subsidies or guarantees. Western Scheldt lobbyists are said to have visited London to talk with some of the same banks that are backing the English Channel Tunnel.

It seems certain, however, that no water project in the near future will even approach the delta works, which are a massive network of eight dams, a barrier, a canal, locks and raised dykes. When begun in 1958 the project was estimated to cost Fl 2.5bn but that has climbed more than five times, mostly due to the Fl 7.8bn Oosterschelde, as well as inflation and construction delays.

Originally the Oosterschelde was to be a traditional dam like the other eight but in the early 1970s a great protest arose from environmentalists, professional fishermen and recreational anglers. They feared that completely damming off the estuary in the confluence of the Scheldt, Rhine and Maas rivers would endanger rare water fowl, commercially valuable shellfish and indigenous fish. Natural tides would no longer wash in and out of the estuary and the sea eventually would turn into fresh water.

By 1974 a crisis threatened the government by Mr Joop Den Uyl, the Labour Prime Minister, and the cabinet finally approved the strom-surge barrier proposal. The cost was to be no more than Fl 2.75bn and construction finished by 1985.

The price tag has nearly tripled and the road atop the barrier will not be ready until next year. But hydraulic engineers appear to have accomplished what many once said could never be done: halting the sea in times of danger and letting it flow otherwise.

The three-kilometre barrier is built of 65 colossal concrete piers with 62 heavy steel gates slung between them. During normal times the 480-tonne sluice gates are kept raised above the water but when a dangerous storm threatens they will be lowered. About three-quarters of the natural tide will flow into the estuary while the gates are up but only a fraction will pass through when they are down.

To keep the wedge-shaped piers from shifting in the strong currents, the river bed was dredged smooth and laid with "mattresses" of stone-filled mastic asphalt. The 18,000-tonne piers were planted on these matresses and then anchored with stone-filled "aprons" and massive boulders. Most of the piers, which are as tall as 39 metres, are submerged beneath the water.

A highly-computerised control centre will constantly monitor weather conditions, tidal flows and the barrage itself to determine when the monolithic gates are to be dropped. A sophisticated computer that can assimilate and assess meteorological and hydrological data will determine whether monitoring teams should be called in during unmanned periods.

How often the gates will be lowered remains a source of controversy, with environmentalists worried that to do so more than once a year could harm migratory geese or delicate sea life. Experts have predicted that the barrier will be sealed aboot twice a year and more if the authorities decide that oil pollution or dyke repair justify a closure.

Public spending oo the whole delta works project has been so huge that governmeot investment will actually fall 3 per cent next year. The public works ministry, which directed the project, will lose about one-fifth of its employees over the next four years and would still like to revive the Markerwaard Polder proposal.

The province of Zeeland is worried about a jump in unemployment now that the delta project is no longer providing thousands of jobs for local residents. The boost to the provincial economy has been great—providing jobs, improving the infrastructure with new roads, bridges and dams and promoting tourism through better transportation links.

But Zeeland and many of the Dutch construction companies that worked on the delta works are eager for a follow-up project. The Dowbouw consortium, which carried out most of the delta works, included most of the Netherlands' most prominent names in contracting, such as Ballast Nedam, Royal Volker Stevin, Hollandsche Beton Groep and Breejenboud.

Many of these same companies plus SBBM and CFE of Belgium already have spent Fl 12m in feasibility studies for a tunnel or bridge across the Western Scheldt. The province is arguing that the English Channel tunnel will greatly increase the traffic through Zeeland en route to Calais to cross the Channel.

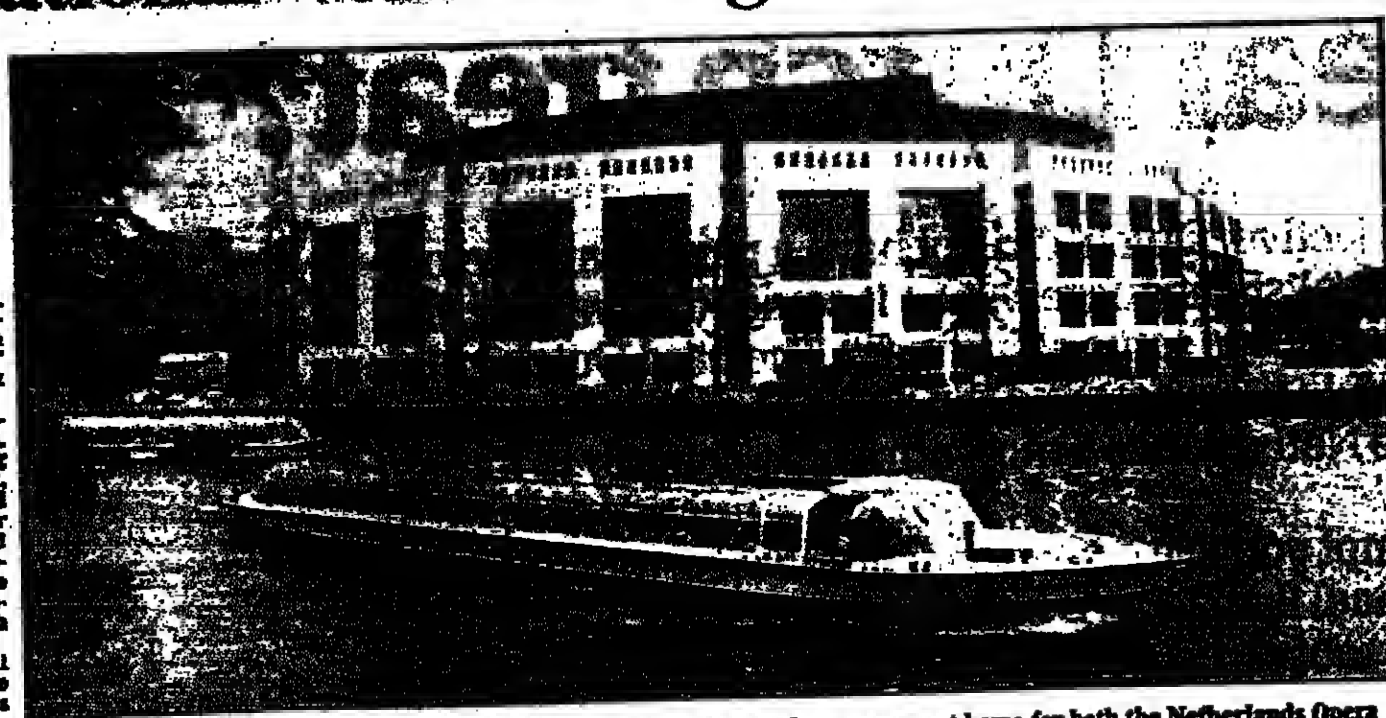
Mrs Neelie Smit-Kroes, the Transport Minister, has said publicly that the government has no mooey for a Western Scheldt tunnel. But the backers are hoping that their self-financing scheme will allay that problem and win political approval.

Laura Raun

Amsterdam's Opera House

International venue brings a new spirit

The opera house-city hall building represents a major commitment to renewal of the inner city and confirms Amsterdam's position on the cultural map.



The brick and stone Muziektheater, on the River Amstel, will provide a permanent home for both the Netherlands Opera and National Ballet, and offers luxurious backstage facilities.

AFTER 70 years of planning, argument, revisions and controversy, Amsterdam last month finally opened the Netherlands' first modern purpose-built opera house.

The Muziektheater, an imposing structure of red bricks, white stone and glass standing on a curve of the River Amstel, has cost Fl 300m (£105m). It will provide a permanent home for both the Netherlands Opera and the National Ballet. In the process, many hope, it will raise Dutch opera to the international status long enjoyed by Dutch ballet and modern dance.

"The new opera house will put Amsterdam on the international circuit," enthuses Mr Wim Sinnige, executive director. "Dutch ballet has been on an international level for the past 10 to 15 years. This building and the additional funds we hope to raise will take opera to a new level too."

The 21-metre wide stage, ambitious back-stage facilities and 1,600-seat auditorium will give the Netherlands a venue fit for the best international companies. The full Bolshoi Ballet came to Amsterdam for the first time later this month with [illegible] programmes, while London's Royal Ballet will make its first visit in January.

The new opera house, which is part of a joint complex with a new city hall, is seen by the city fathers as doing more than just confirm Amsterdam's position on the cultural map.

It is also viewed as a symbol of a new spirit in the Dutch capital, which appeared during the early 1980s to be [illegible] under the weight of a collapsing [illegible] financial crisis, a drug-taking epidemic and its chronic housing problems.

The city's finances have been sorted out and the housing and drugs problems are now being tackled under the energetic leadership of the new mayor, Mr Ed van Thijn. The new opera [illegible] city hall, which is not due to open until next year, represents a major commitment to the renewal of the inner city.

Amsterdam briefly enjoyed a purpose-built opera house in the 1880s but this folded after failing to make the payments to church charities which had been the prerequisite for obtaining reluctant church approval.

The history of the present building starts in about 1917, when the Wagner Association suggested that an opera house should be built. Plan succeeded plan; the Second World War put a temporary stop to developments; and by the 1970s Amsterdam's finances were too shaky to permit a huge building project of this nature.

At the same time, during the post-war years, Amsterdam had been working on designs for a new City Hall, to replace the Palace on the Dam sold to the Royal Family in the 1930s and the temporary cramped premises since occupied on one of the old canals.

By 1979 Amsterdam's financial difficulties were lifting and a decision was taken to combine the City Hall plans, drawn up by the Viennese architect Wilhelm Holzbauer, with the opera house designs prepared by the Bijvoet and Holt.

Shortly afterwards Mr Bijvoet died. Mr Holt withdrew and their part in the project was taken over by Mr Holt's son-in-law, Mr Cees Dam. Mr Dam and Mr Holzbauer have collaborated, often uneasily, ever since.

In the decades of planning that went on before building started in 1982 many sites were suggested for the opera house, including Museum Square which already grouped the Concertgebouw and the Rijksmuseum, Frederik Square where the Dutch central bank now stands, and the working class Pijp district in the south of Amsterdam.

The planners finally settled on the Waterlooplein, in the derelict old Jewish Quarter of Amsterdam which was practically destroyed during the War. The Waterlooplein's main claim to post-war fame was its flea-market.

This choice encountered stiff opposition from local people and others who felt a grand cultural building would be out of place and that the site should be used for housing, but their objections were overcome.

The Holzbauer-Dam design has been described as using classical features such as pillars in a stylised "building block" manner. Lacking the variety of detail of post-modernist architecture it retains some of the traditions of the monumental style which preceded it.

Externally the Muziektheater has a curved facade which mirrors a bend in the River Amstel, while the L-shaped City Hall partly encloses the opera building on two sides away from the river.

Separating the opera from the City Hall is a narrow L-shaped street which is intended to house cafes and restaurants. Inside, the visitor enters a pink-carpeted, white-walled foyer rising the full height of the building before passing into the red-furnished auditorium.

Backstage, producers have the luxury of no fewer than three stage-size areas where sets can be prepared or stored between performances before being moved on to the main stage by air-cushion. In the cramped Municipal Theatre or Stadsschouwburg where the ballet and opera companies previously performed, sets had to be dismantled between performances.

The building also houses practice studios and dressing rooms on a scale performers could only dream of io their previous premises.

The opera shares its telephone, heating and lighting systems with the City Hall as well as an underground car park for 300 cars—for use by City Hall staff in the day time and Opera House visitors in the evening.

Mr Sinnige does not believe there will be any problem filling the opera houses's 1,600 seats, 600 more than were available in the Stadsschouwburg. "People will come more often whereas before they would have been prevented because we were fully-booked—and we will also be able to attract more tourists."

Recent attendance figures show that opera and ballet are more popular than theatre with Dutch audiences, Mr Sinnige says. Tourists, who were frequently frustrated in the past because most tickets had gone to season ticket holders will benefit from a new computerised booking system which will allow seats to be reserved up to a month in advance.

This system will ultimately link all of Amsterdam's theatres and concert halls so the booking office can offer alternatives if a first choice is already fully booked.

Part of the popularity of opera and ballet is the low price of the tickets, which benefit from considerable state and city subsidies. Mr Sinnige is keen, however, to attract commercial sponsorship for a fund to commission new operas, aid youth productions and help finance visiting foreign opera companies.

"A number of European cities exercise a cultural attractioo far beyond their immediate region," Mr Siooige says. "The opera house will undoubtedly enhance Amsterdam's international role."

Charles Batchelor

The Executive Board of Staal Bankiers. From left to right: Wim Dijkema, Anton J.H. Jongbloed (chief executive), René D.E. den Hertog and Emile J.L. Bakker.

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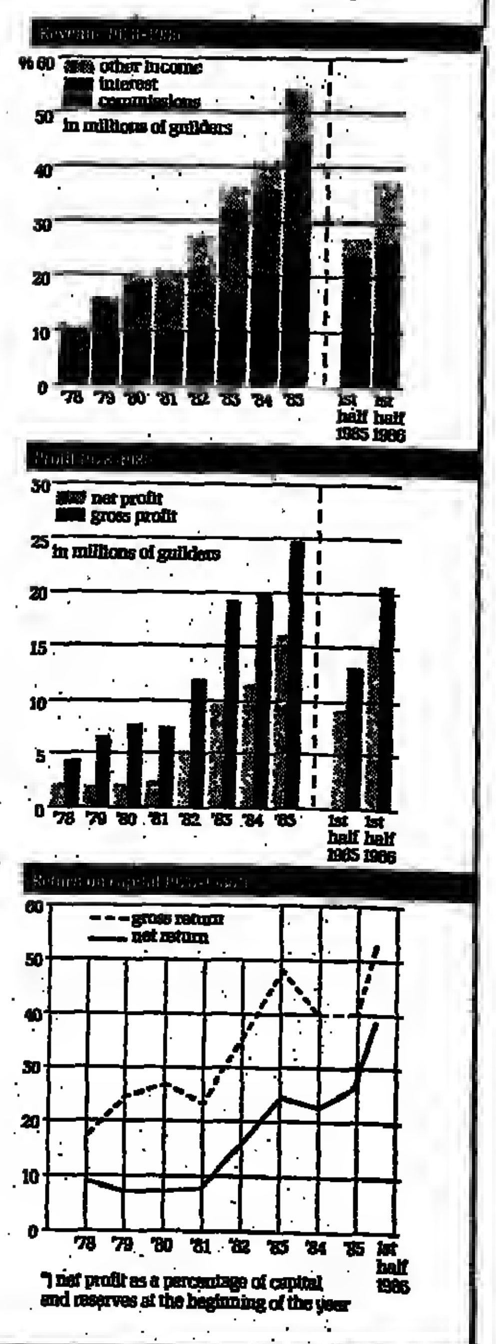

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